

COMMISSION OF THE EUROPEAN COMMUNITIES

# **programmes**

**Regional development programme  
Ireland  
1977-1980**



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## REGIONAL DEVELOPMENT PROGRAMME FOR IRELAND 1977/1980

### Introductory Note

The attached documents comprise the Regional Development Programme for Ireland.

The central document is a White Paper on national development for the period 1977-1980 which was published by the Government early in January, 1978. Attached to it are a number of annexes containing additional analytical and other material as sought in the Outline for Regional Development Programmes as adopted by the Regional Policy Committee (OJ No C69 of 24 March 1976 refers).



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NATIONAL DEVELOPMENT 1977-1980





PREFACE

The Government have been implementing their pre-election manifesto proposals since they came into office in July 1977. They now publish a White Paper which:

- reviews in general terms the economy and its potential for development
- outlines the Government's thinking on the crucial issues of economic and social development and the measures proposed to deal with them
- indicates what future action is required.

The Budget to be introduced on 1 February 1978 will underpin financially the policies outlined in this White Paper.

This White Paper is not intended to be a detailed plan. This plan will emerge from a planning cycle which the Government intend to introduce from February to October of each year from now on. The Government will produce a Green Paper on future national development in the first half of 1978 and a detailed National Plan in the latter half of the year.



## Part I

### AIMS AND CONSTRAINTS

This Part sets out the nature and purpose of the White Paper, the Government's economic and social aims, their implications in macro-economic terms, and constraints on their achievement.

#### Section 1 - Introduction

1.1. During the last few years, the Irish economy has tended to lose momentum. Employment has fallen substantially; living standards for many have stood still or declined; the private sector has cut back on investment; inflation rates have been higher than in any previous post-war period; wage levels have increased in a continuing spiral as workers have tried to maintain their real incomes; and the costs of Government programmes have escalated, necessitating rising taxation and heavy overseas borrowing to finance them.

1.2. The longer such trends continue, the fewer become the options available to correct them. It is vital, therefore, that planned action be taken and that it be taken quickly. While it is for the Government to provide leadership it is only through effective partnership of all sectors of the community that real progress in economic and social reconstruction will be ensured. There must be agreement on where our national interests lie, and on the steps to be taken and the commitments to be made in pursuit of these interests.

1.3. The Government's pre-election manifesto was the first step in meeting this requirement. The manifesto set out the strategy for economic and social progress which they would follow in office. This strategy has two essential features. The first is immediate action to raise employment and output and to curb inflation. This action is designed to revive business confidence and lay the foundation for further growth. The second comprises a wide range of specific policy measures directed in the main towards sustaining and reinforcing this faster growth, making better provision for infrastructural development, and ensuring that economic advance is accompanied by social progress in areas such as education, health, housing and social security.

1.4. In the initial stages of implementing the manifesto strategy, a significant increase in Government expenditure and substantial tax cuts are required. However, in the subsequent stages stability will be restored to the Government's finances through revenue buoyancy, control of expenditure and an enhanced private sector contribution to the process of development.

1.5. Subject to the need for review and adaptation, referred to later in paragraph 1.9., the manifesto strategy and the action stemming from it will continue to form the basis of the Government's management of the economy over the remainder of the decade.

1.6. Action has already been taken, since July 1977, to meet the manifesto commitments on job-creation. Increased public expenditure on building and construction and increased employment in the public services is expected to create an additional 15 000 jobs in 1977/1978. The Government's youth employment programme will be directed towards providing the balance of the 20 000 jobs within that period as envisaged in the manifesto. Furthermore, the formulation of the 1978 Budget is being guided by the requirements of implementing the manifesto both in regard to job creation and the wide range of measures to be undertaken in specific policy areas. To make room for the cost of doing so, expenditure under other heads and on existing services will be kept within strict limits. Otherwise the consistency of the Government's strategy would be endangered.

1.7. Outside the budgetary area, successful pursuit of the Government's strategy will depend very much on the response of the social partners. This response must include a willingness on the part of the social partners to agree on moderate increases in nominal incomes of the next two to three years. Provided that this reasonable response is forthcoming, enhanced business prospects arising from the successful implementation of the strategy should result in the creation of more job opportunities, a higher level of investment, and the expansion of output both for export and to meet greater consumer demand at home. These more buoyant levels of business activity will be made possible and supported by moderation in pay levels coupled with the tax concessions as envisaged in the manifesto. If the widespread acceptance of the key elements of the Government's strategy were to diminish or if the response from the social partners were inadequate, it would be necessary to review not alone the extent to which implementation of the strategy could proceed but also the continued appropriateness of its economic and social aims.

1.8. The measures already carried through and the further action to be provided for in the 1978 Budget will complete the first phase of implementing the Government's development programme. The second phase will build on the recovery set in train by these measures. During this phase the emphasis will gradually shift from existing policies to maintain progress at a high level towards a third phase. This third phase will involve new policies for structural changes in the Irish economy - thus setting the scene for sustained and long-term economic and social development.

#### Objects of the White Paper

1.9. The main object of this White Paper is to set out the Government's intentions for the second phase of development. It isolates crucial issues, indicates as clearly as can be done at this stage the measures proposed to deal with them and the broad results expected. While the emphasis of the White Paper is on the Government's contribution to overcoming the problems facing the economy, it is clear that Government measures cannot on their own secure the results that are required. All sectors of the community must make their contribution to achieving success. Because such support may not always be forthcoming at the pace or in the form envisaged, and because other assumptions underlying Government action, e.g. world trading conditions and movements in external prices, might not be confirmed by events, the proposed forms of Government action have to be conditional. The programme of action will, therefore, be reviewed annually in the light of the results achieved.



## Section 2 - Economic and social aims of Government action

2.1. In implementing their development strategy, Government action will be directed towards achieving, as priority, the national aims discussed in the following paragraphs.

### Increasing employment

2.2. A major national aim must be to increase employment. Unemployment is at an unacceptably high level. Numbers on the Live Register rose from 70 000 in February 1971 to over 118 000 in February 1977. Since then there has been a moderate decline to the present level of about 107 000. The main factors contributing to the rising trend have been the high rate of job loss since the post-1973 recession, the growth of the labour force, and the ending of net emigration in the period 1971/1976. Job losses have been spread across the manufacturing, building and construction and services sectors.

2.3. The absence of a Census of Population in 1976 makes a precise age breakdown of the numbers out of work impossible. Indications are that the bulk of unemployment is concentrated in the younger and older age groups. The available figures suggest that the level of short-term or frictional unemployment is particularly high as the number of long-term unemployed (measured by those on the Live Register for 27 weeks or more) is at present about 50 000, or less than half the total.

2.4. With the cessation of net emigration in the early seventies, the continuation of the population increase and changes in participation rates, especially among married women, a significant rise in the labour force has taken place. At mid-April, 1976, the labour force totalled 1 143 000, having risen by 23 000 since mid-April 1971. The trends in population movement were of particular significance in the same period with net immigration of the order of 11 000, in contrast to previous experience of net emigration.

2.5. It is difficult to estimate future job requirements with accuracy. The estimate has to take account of the reduction sought in the level of existing registered unemployment, the number of persons seeking work but not on the Live Register, the expected increase in the labour force, future redundancies, and the outflow of workers from agriculture. To meet the expected increase in the labour force, redundancies and the outflow from agriculture, about 20 000 new jobs per year would be necessary over the remainder of the decade. If, in addition, a worthwhile reduction were to be made in present levels of unemployment, this figure would have to be increased by half as much again if not more.

2.6. Apart from other factors, these estimates could be increased or offset to some extent by variations in the expected pattern of migration in the period. In this connection, it is envisaged that the rate of inward migration will fall off and that the estimated downward trend in the outward movement will continue. The figures could also be affected by differences in the labour force participation rates used in making the calculation. At present these rates cannot be established accurately although refinement of those now used will be possible in 1978 when the preliminary results of the 1977 EEC Labour Force Survey become available.

### Curbing the rate of inflation

2.7. Since 1970, inflation rates in Ireland have been consistently above the EEC average. Effective national development requires that they be curbed. The consumer price index rose on average by 14% a year from 1971 to 1976. While the openness of the Irish economy and our dependence on international development were mainly responsible for the acceleration in the rate of inflation from 1973 onwards, they can hardly be regarded as a sufficient explanation for all price rises. Domestic cost pressures have also accounted for a sizeable portion of Irish inflation. For instance, it is estimated that taxation accounted for about one-seventh of the total increase. This reflects the degree to which increased public expenditure had to be met by raising the burden of taxation in conditions of slow growth.

2.8. In a number of EEC Member States the level of inflation has been within, and for some, well within, single figures, e.g. 9.5% for France, 4% for the Federal Republic of Germany, and over 5% for the Netherlands. It is agreed Community policy to bring about a convergent reduction in the inflation rate of the Member States. The present aim is to achieve an average annual rate of no more than 5% for the EEC as a whole by 1980 and progress is already being achieved in that direction. Against this background it is essential that the Irish rate of inflation be brought down as envisaged in the Government's manifesto. Otherwise, apart from the adverse and potentially dangerous domestic effects of rapidly rising prices, it will become increasingly difficult for Irish goods to compete either in the domestic or foreign markets, the attractiveness of this country as a manufacturing base will be diminished and the strategy of the Government programme will be undermined. The reduction in inflation, therefore, remains a key goal both in its own right and as an important requirement for achieving the primary aim of rapid job-creation.

### Resuming the growth in living standards while maintaining competitiveness

2.9. It is undesirable that the arrest in the rise, and in many instances the actual fall, in living standards experienced by major groups in the community in the recent past should continue. These standards, as measured by changes in real disposable personal income, rose by only 1% a year on average in the period 1974/1976. Moreover, general living standards here are lower than in the UK and lower still than in the continental countries of the EEC. In promoting development it is the Government's intention that real incomes will rise, and that ultimately the gap between such incomes here and those in the other Member States will be significantly narrowed. Doing so depends essentially on raising the level of output per head of the population here and more particularly the output per head of the employed population. Achievement of the Government's intention is fully compatible with the income restraint required to maintain the price competitiveness of Irish production. In fact, such moderation is vital to ensure the creation of the conditions for the generation of jobs accompanied by a real rise in living standards for an increasing proportion of the whole population. Provision will be made, therefore, for raising living standards over the remainder of the decade as an integral part of the Government's programme.

### Extending the productive base of the economy

2.10. The Government regard the extension of the productive base of the economy as a major national goal. It complements that of achieving a sustained rise in employment levels and real incomes. Expansion of demand through general increases in private and/or public spending would have only marginal and temporary effects. Those effects would be nullified quickly as a result of bottlenecks in the productive system, and by the inflationary impact on costs and the burden of debt service. For lasting effects additional productive employment has to be created. Desirable action here needs to be considered against the background of recent industrial trends.

2.11. The loss of industrial employment in the recent past has been higher than might have been expected from output performance. The divergence can be attributed to an acceleration in the rate of productivity increase which itself reflected the pressures of international competition and the shedding of labour due to inflation and recession. The divergence also reflected the high incidence of job loss in the vulnerable labour-intensive industries which were adversely affected by the greater access of external competitors to the domestic market.

2.12. Development measures in the period to 1980 must be aimed at securing more industrial investment, at exploiting the output and employment potential of important natural resources, such as mining, and at ensuring that the capacity of agriculture to contribute to national income and sustain employment is fully utilized. Progress in those directions will make for increased activity in the services sector, and will provide the resources to meet demands for better public services in education, health and other areas.

### Promoting efficiency in the economic system

2.13. Attracting foreign industry to Ireland, increasing the international competitiveness of Irish goods and expanding exports all depend on the efficiency with which the economy operates. The Government do not envisage that economic growth here and the advantages of the country as a base for production should derive solely from a system of incentives. Their aim is rather that economic advance should be based more and more on an increasingly well-trained labour force, efficiently employed, and a smoothly operating economic system. At a time of greater world-wide competition to attract industrial investment, incentives such as tax remissions and grants are likely to be less effective unless the country offering them also possesses those more basic attractions. For that reason the promotion of efficiency in our economic system must be a central concern of policy.

2.14. Comparison of sectoral productivity levels with those in competitor countries points to gaps between productivity in the manufacturing sector in this country and in other EEC countries, including the UK. Latest available estimates show that the level of productivity in Ireland (for 1974) compares unfavourably with other small Community countries. For instance, it is less than half that in Belgium, Luxembourg, Denmark and the Netherlands. This situation has shown little change as compared with 1971. There was a slight improvement in comparison with the UK in terms of overall productivity; in relation to continental Community countries, however, the gap has widened both for overall and sectoral productivity.

2.15. The need and scope for greater efficiency and productivity in our agricultural sector has been well demonstrated in studies by the National Economic and Social Council (NESC). Figures for the period 1971-1976 show that while there has been an improvement, there is still great scope for further gains particularly through increases in output. There is urgent need not only to narrow the productivity gap between agriculture and the industrial and services sectors but also to improve the performance of the three sectors in the years ahead, especially in view of the achievements of other competitor countries in raising productivity to a high level.

2.16. The need for greater efficiency arises not only at the level of individual firms and sectors but also at national level. The Government accept that in areas such as energy, communications, the road-system and transport, the efficiency, quality and cost of the services provided are primary considerations for the users. It is, therefore, basic to the Government's strategy that their responsibilities under such heads are properly met. Likewise, in the area of the public service generally, there has to be full regard for efficiency and cost effectiveness, and it is the Government's intention that any necessary reforms to that end will be carried out. Institutional arrangements outside the public sector will also need to operate so that they assist in the process of development. This is particularly true in the field of industrial relations and pay settlement. Finally, increased efficiency is necessary to ensure a better return from the limited resources available to a small State for national aims.

#### Priority in areas of social concern

2.17. The successful achievement of the Government's aims of increasing employment, curbing inflation and creating an environment conducive to work will result in major social advance. However, there are also specific areas of social concern, such as education, health, housing and social welfare, where the Government are committed to furthering social justice through policies designed to meet particular needs. The Government's intentions in these areas are set out in Section 7, but there are some general considerations applying to public social expenditure which should be mentioned here.

2.18. One of the most significant influences on such expenditure over the next few years will be the expected increase in population. The increase will call not only for the provision of more employment, but will also have implications for the provision of services such as housing and, through increasing numbers in the dependent age groups, will make significant claims on public funds in areas such as education and social and medical services for the young and the aged. In some areas the mere maintenance of the existing levels of service will involve increased public expenditure in real terms.

2.19. Even given rates of economic growth which are high by historic standards, public resources will nevertheless be under tight constraint. Increasing attention will therefore have to be given to cost effectiveness in public social expenditure so that the Government can fulfil their overall obligations.

### Section 3 - Implications and constraints

#### The current economic background

3.1. The year 1977 is the starting point for the Government programme to achieve the aims set out in the previous section. The expected economic out-turn for that year provides the economic background against which Government action has been prepared. Overall growth during the year is estimated at about 5%. The major contribution has come from the industrial sector with an increase in total production of about 8%, and substantial progress has also been made in agriculture with an expansion of about 5%. In the services sector an increase in activity of about 3.5% is expected. The higher level of economic activity has been supported by substantially higher exports, buoyant investment, and steady growth in consumer demand. In line with this activity there has also been a widening of the external deficit which for the year as a whole is expected to be about £ 50 million more than in 1976.

3.2 The year-on-year increase in consumer prices at mid-November was under 11% or almost half of the corresponding increase for 1976. The price rise for the year as a whole was just over 13½% compared with 18% in 1976.

3.3. Developments in employment and unemployment are less satisfactory. For the economy as a whole, the level of employment is likely to be some 7 000 above that of 1976. Manufacturing employment should increase by about 8 000 or 4% and present indications are that employment in building and construction has stabilized. Despite the better employment trends, however, unemployment, as measured by the Live Register, which stood at about 107 000 or 9.3% of the workforce early in December, 1977, is unacceptably high.

3.4. The level of domestic economic performance in 1977 has been achieved despite a loss of momentum in the economic activity of this country's main trading partners since the first quarter of the year. In the EEC as a whole, growth has been sluggish with a slowdown from the 4½% increase reached in 1976 to a likely 2½% in 1977. Capacity utilization is low and, because of the steady rise in the labour force combined with hesitant growth, unemployment has increased to about 6 million or 5½% of the working population. In the larger grouping of OECD countries the general economic recovery which commenced in mid-1975 has proved equally fragile; growth in 1977 is likely to be of the order of 3½% and unemployment about 16 million. Some improvement in inflation has been achieved however.

3.5. In the absence of suitable policy action by the Member States, the prospects for better growth and for a reduction in overall unemployment in the EEC are not encouraging. Policy action is needed to improve the economic performance of OECD countries also. Governments of the EEC Member States are aware of the need for such action and of the growing divergence in most of these states between the rates of growth of output and investment set out in the Community's Fourth Economic Programme as being necessary to meet employment needs and the actual performance of their economies. There has already been broad agreement on the approach required to boost the growth rate to a somewhat higher level in 1978, but action that would restore Community performance to the levels envisaged in the Fourth Programme has yet to be implemented. The probability, therefore, is that the external economic environment in which the solutions to the problems of employment and growth in Ireland must be sought will continue to be difficult.



The pace and pattern of development now required

3.6. It would be unrealistic to attempt to establish at this stage a fixed line of progress towards the achievement of the Government's goals. As already mentioned, the approach adopted must be flexible in order to allow for new developments or the correction of deficiencies in the underlying strategy. It is possible, however, to define broadly the implications and the degree of progress that will be needed and to identify the pattern of economic relationships that are necessary to maintain the economic and social aims of Government action.

3.7. The main economic targets of the Government can be summarized as follows:

	1977	1978	1979	1980
Reduction in numbers out of work	5 000	20 000	25 000	30 000
Rate of inflation (end year)	10 <sup>3</sup> /4%	7%	5%	5%
Increase in national output	5%	7%	7%	7%
Borrowing as % of GNP	11%	13%	10.5%	8%

Action already taken has been sufficient to attain the 1977 targets of a 5 000 reduction in unemployment and a lowering of the inflation rate. The Government are confident that the programme now being undertaken will set the basis for the sustained improvement of employment, inflation and public finance in the period up to 1980. They will provide the climate for the implementation of fundamental policy changes to bring down unemployment to acceptable levels.

Employment

3.8. The Government's employment aim is not merely to provide for the expected increase in the labour-force but also to reduce substantially the numbers out of work. The Live Register unemployment figures are not an adequate guide to the present numbers of such persons or their future trends. The extent of the discrepancy in the Live Register measurement, including the coverage of school leavers seeking jobs, is still the subject of discussion among demographic experts. The availability of the results of an up-to-date Census of Population would help to resolve many of the difficulties involved, but in their absence reliance has to be placed on the results of the 1975 Community Labour Force Survey. The Government, in arriving at the level of job provision to be sought up to 1980, took account of these data and of the projected increase in the labour force as set out in the recent NESC Report (No 35) on population projections. The figure aimed at will necessitate an estimated annual net increase of 29 000 in non-agricultural employment, which when adjusted to allow for the estimated outflow from agriculture will represent an annual average net reduction in the numbers out of work of 25 000 in line with that set out in the table above.

3.9. The table below shows the approximate sectoral breakdown of the total employment figure. Also shown is the order of increase in the annual rate of productivity which would be appropriate to provide the level of competitiveness necessary to maintain export and output growth.

Sector	Annual Average Change 1978/1980		
	Employment		Sectoral productivity %
	%	('000)	
<u>Agriculture</u>	- 1.7	- 4	+ 5.8
<u>Industry</u>	+ 5.2	+ 17.2	+ 5.7
- Manufacturing	+ 5.9	+ 13.5	+ 6.5
- Building and Construction	+ 4.2	+ 3.3	+ 4.4
<u>Services</u>	+ 2.4	+ 11.8	+ 2.7
Total	+ 2.3	+ 25	+ 4.6

To achieve the employment and productivity increases indicated above, it would be necessary for GNP to grow by about 7% a year up to 1980.

#### Pattern of Expenditure to 1980

3.10. A pattern of expenditure, consistent with a 7% a year GNP growth rate, is set out in the table below. High export and investment demand are a feature of the table because of the need for capacity expansion and a higher level of exports to support the growth rate.

	Annual average volume Growth Rates %	
	1977 (Estimated)	1978-1980
Private consumption	5	6
Public consumption	2	3
Total investment	12	12
Exports of goods and services	11.5	12
Imports of goods and services	12	11
Expenditure on gross national product at market prices	5	7

### Consumption

3.11. The increase in private consumption is set at almost 6% a year in real terms over the three years reflecting the real increases in income in the period as well as the substantial increase in employment. Public consumption, or current expenditure on goods and services by public authorities, is projected to grow at almost 3% a year. These substantial increases in both private and public consumption could result in a rapid deterioration in the balance of payments unless larger shares of home demand were met by domestic producers.

### Investment

3.12. The increase in the volume of total investment (including stock changes) required to generate extra employment of 75 000 by 1980 is estimated to be nearly 12% a year which would bring the ratio of total investment to GNP to about 31% in 1980 (at 1977 prices) compared with over 27% in 1977.

### Exports

3.13. Industrial exports (which include manufactures goods, processed food products and output from mining) are projected as growing at an annual average rate of almost 15% and agricultural exports by 8½% a year over the period to 1980. Tourism earnings should increase by over 8½% a year in volume terms. These main components, after adjustment for balance of payments effects, taken together would then result in an increase of about 12% a year in total exports of goods and services, raising the ratio of exports to GNP from over 52% in 1977 to almost 60% in 1980 (at 1977 prices).

### Imports

3.14. Projected imports have been related to the projected increases in output and expenditure. The main increases in the import bill relate to materials for further manufacturing which should grow roughly in line with the increase in output of manufacturing industry (almost 13% a year) and to imports of consumption goods, which are projected to grow at 10% a year. This latter figure allows for a deflection of domestic demand from imports to home-produced goods over the period as envisaged in the manifesto.

### Incomes

3.15. To increase employment, output and exports on the scale indicated cost increases would have to be kept at a competitive level. At present about 75% of our merchandise trade is accounted for by EEC countries where inflation rates are expected to converge to a rate of 5% by 1980. Income restraint is therefore an essential precondition of progress over the period; but as pointed out in Section 2, this does not, necessarily, imply reductions in real incomes. The Government's proposals for a pay package for 1978 demonstrate this. The continued fall in the rate of inflation, combined with the projected productivity growth, would allow income per employee to rise in real terms in 1979 and 1980 concurrent with the projected increase in employment.

3.16. The trend in import prices and movements in exchange rates could have important implications for the development of monetary incomes and the competitiveness of Irish products over the next three years. It is expected that the recent upward trend in import prices will decelerate sharply and that the average annual rate of increase for the period as a whole will be 7%-8%. Given reasonable exchange rate stability, the inflationary effect of external developments experienced over the last few years would be considerably reduced. Both of these factors would facilitate the orderly development of incomes. On the other hand, the competitive advantage afforded by currency depreciation would weaken. Any improvement, therefore, in our trading position would have to come through domestic discipline in relation to costs and incomes.

#### Constraints

3.17. The main areas in which growth along the lines envisaged could encounter constraints would be:

- investment and its financing
- the public sector deficit over the years to 1980
- the balance of payments, and
- the rate of growth in world trade.

#### Investment and its financing

3.18. To support the growth rate sought, the Government propose to expand public expenditure in 1978 and to grant substantial tax concessions. An effect of these measures will be to interrupt temporarily the downward trend in the borrowing requirement as a percentage of GNP achieved in 1976 and 1977. Since this level of borrowing could not be sustained in subsequent years, it will be necessary for the private sector to increase its role in the investment and employment-creating process. It is expected that better business conditions and improvements in profitability together with the support given by public capital expenditure would induce the necessary rate of increase in private investment. Fiscal policy will be continuously reviewed to ensure that it does not act as a brake on private investment.

3.19. The projected average annual increase of nearly 12% in total investment (including stock changes) would involve increases in all of the main categories, productive, infrastructural and social. The share of productive investment in total capital formation would have to be expanded. In this regard it might be argued that because of the underutilization of capacity within the economy, considerable increases in employment could result purely from the stimulation of demand and cyclical upswing, without significant changes in new productive investment. Recent experience, however, indicates that too great a reliance should not be placed on existing under-utilized productive capacity for increased growth and employment and that substantial further investment is likely to be called for.

3.20. The primary aim of investment strategy must be to accelerate the annual rate of fixed investment in manufacturing industry which will provide the bulk of the required employment both directly and indirectly through its multiplier effects on the rest of the economy. A considerable part of the increase would come from foreign investment, which is expected to accelerate in the years ahead as a result of the promotional activity of the Industrial Development Authority. Realization of the productive investment aim would also depend on an expansion of investment by existing firms in order to safeguard and extend their share of the domestic market as well as increase their exports.

3.21. The savings required to finance investment over the period to 1980 would come largely from domestic sources. The estimated extent of such savings in the form of personal, companies' and other savings and provision for depreciation should amount in 1980 to 80% of projected total investment in current prices. This compares with about 85% in 1977 and implies that net foreign disinvestment, as measured by the balance of payments deficit, would play a larger part in meeting domestic needs than at present. However, private capital inflow could be expected to increase as a consequence of the rise in private investment, and contribute to financing the external deficit.

#### Public Finance

3.22. While it is expected that the private sector will assume a more dominant role in the growth process during the years from 1979 onwards, nevertheless the public sector would have to continue to be major contributor both in relation to investment and consumption. This contribution would arise through, for instance:

- capital transfers to support the required increases in private investment
- direct infrastructural investment to complement the growth sought in the manufacturing, agricultural and services sectors
- social expenditure, both capital and current, required to cope with the increase in our population and improved welfare objectives.

3.23. The high rates of GNP growth needed in 1979 and 1980 must be achieved at a time when it will be necessary to bring about a progressive reduction in the Exchequer borrowing requirement. The need to return to the pattern of a falling Exchequer borrowing requirement will demand the establishment and application of clear priorities for all public expenditure based on the over-riding need of increased employment. The constraint of the public sector deficit will have to be dealt with in the context of incomes policy and the maintenance of a high degree of price stability. Action in these areas will be discussed with the social partners in order to ensure the maximum degree of support for the policies to be pursued.

#### Balance of Payments

3.24. The projected current deficit in the balance of payments shows a rise from almost £ 200 million in 1977 or 4% of GNP to over £ 500 million or 6<sup>1</sup>/<sub>4</sub>% of GNP by 1980. The increase reflects the expected deterioration in the visible trade balance from a deficit of £ 650 million in 1977, (12% of GNP) to over £ 1 050 million in 1980, (13% of GNP). The deterioration would



be offset by a net contribution from invisible transactions (including net international transfers) rising from £ 450 million (8% of GNP) in 1977 to about £ 550 million (7% of GNP) in 1980. The energy requirement associated with the projected rapid growth in output would account for a significant proportion of the visible trade gap. In 1977, the net oil bill is likely to total £ 350 million, or just over half of the visible trade deficit.

3.25. While the deficit on current account in 1980 would be high by historical standards and might prove to be a constraining influence, nevertheless, it should not pose insuperable financing problems. A continued oil deficit would have to be sustained in the medium-term since to rectify it would require an export expansion taking several years to accomplish. In the meantime, it could be financed by borrowing on the international markets within the context of long-term measures aimed at expanding exports.

3.26. The inflow of private capital from abroad and public sector borrowing has supported the balance of payments in recent years, by helping to finance the current account deficits. Some of these inflows are associated with investment projects undertaken by Irish-based industrial concerns. With the further growth in private investment which can be expected in the years ahead, these inflows should grow in size. When account is taken of the likely level of such inflows and of the extent of Ireland's external assets, the balance of payments deficits which are forecast, although formidable, should not prevent the pursuit of employment and growth objectives. Continuous monitoring of the external situation would be necessary so that corrective action could be undertaken if developments proved more adverse than anticipated.

#### Uncertainty regarding world trade developments

3.27. It is expected that the growth rates during the next few years in the member countries of the EEC should be strong enough to support the projected expansion of exports, especially if action is taken to stimulate the present growth in the Community level of investment. As the Community has not yet achieved a high level of convergence in its economic policies or pursued a coherent medium-term growth strategy, there is a danger that the Community medium-term growth aim might not be achieved and the Irish export targets jeopardized. The Government will make every effort, therefore, to ensure that this country's aims are supported by consistent Community economic policy in the period to 1980.

3.28. The experience of recent years has demonstrated the vulnerability of Western economies to increases in externally-generated inflationary pressures. While price trends have steadily moderated in recent months, there is no certainty that sharp increases will not be experienced again in the years ahead. Although policies to develop Irish energy resources and to reduce dependence on imports through improving linkages within Irish industry are envisaged as part of the Government programme, these are unlikely to show results for some time. In the meantime, the economic outturn here would continue to be as vulnerable as before to fluctuations in import prices. There will, therefore, be a need for flexibility both in policies and in the extent to which it will be possible to pursue the Government's aims in specific periods.



## Part II

### SECTORAL POLICIES

This Part sets out steps already taken by the Government and those now envisaged in relation to the various sectors. The detailed individual sectoral policies which the Government will pursue and the activities required to put them into effect will be analysed in detail in the coming months. They will be an important part of the Green Paper and National Plan to be published in 1978.

The development of the productive and infrastructural sectors are dealt with in separate sections, as also are the conditions necessary for the achievement of the Government's aims. The final section reviews the development of the social services.

#### Section 4 - Industry, agriculture and services

##### Industrial Development

4.1. National growth and employment prospects depend to a high degree on the performance of the manufacturing sector. Recent performance in that sector has been encouraging. Output in 1977 is expected to rise by almost 8% following a rise of 10½% in 1976 largely deriving from a continuing improvement in exports. Employment has been increasing since the second quarter of 1976 and it is estimated that at the end of 1977 it will be over 8 000 greater than at the same time in 1976.

4.2. On the basis of present policies the manufacturing sector is capable of expansion at a rate of about 10% a year and of generating increases in employment of over 10 000 a year on average. Expansion at this rate will entail export growth of the order of 16% a year, and in view of present prospects for the growth of world trade will require an increase in the Irish share of overseas markets for manufactured goods. The Government's programme will continue to provide support for rapid export growth through the maintenance of appropriate incentives. It is also the Government's policy to generate a substantial increase in home demand, firmly based on more people at work. The proposed income tax changes and other concessions will also increase spending power, while the campaign to channel an extra 3% of Irish consumer expenditure towards domestic products should, when finalized, further increase sales of Irish products in the home market.

4.3. Promotional activities will be intensified in order to increase the level of job creation in 1978-1980 in existing industries as well as in new industries of domestic and overseas origin. The rate of job loss in existing industries accelerated during the recent recession as the orderly adjustment of industry to a new free trade environment was disrupted by the severity and prolonged nature of the fall in economic activity. Aids being provided in other countries to firms in the older labour-intensive sectors of industry to prevent job-losses are adding to the trading difficulties and redundancies of Irish firms. The damage caused is a source of concern to the Government and possible offsetting action is under consideration.

4.4. Emphasis will be placed on the planned and orderly restructuring of industry. The Industrial Development Authority have now been empowered to provide financial assistance for mergers and acquisitions. Consideration will be given to rationalizing and extending the role of existing State institutions to ensure that the developing needs of industry and agri-business are adequately met. The imports of State bodies and of IDA-assisted firms will continue to be carefully examined to see what scope there is for substitution of imports by the production of Irish firms. Marketing capacity will be strengthened and developed. The extension of marketing efforts abroad, such as the purchase of trading companies to extend and underpin the markets for Irish products, will be encouraged.

#### New Industries

4.5. There will be a major emphasis on increasing investment by domestic industry. The Industrial Development Act 1977 provides for the extension of the IDA's powers in providing assistance for the restructuring of industry and for the introduction of a new incentive scheme. This scheme is designed to encourage entrepreneurs who have worthwhile development ideas, but are unable to secure the necessary funds, to bring their ideas to fruition. In addition the Government are committed to doubling within two years the number of projects to be assisted under the Small Industries Programme.

4.6. Competition to secure from abroad high-quality investment such as has been attracted here in recent years is now much more intense than it was previously. With unemployment levels stabilizing at much higher rates than in the period before 1973, other countries are making greater efforts than heretofore to attract overseas investment and to ensure that the expansion plans of their own major industries make a contribution to the solution of domestic unemployment. In spite of these difficulties, our intensified promotion efforts are expected to result in the provision of approximately one-half of new industry jobs by means of new overseas industries. The programme of advance factory construction will, therefore be continued and is expected to form an increasingly important part of the range of incentives available to industrialists.

4.7. Priority will be given to improving employment in those areas of the country which suffered relatively worse during the recession. Plans for the physical location of industry in the period 1977-1980 reflect both this priority and the Government's concern that industrial development strategy should provide for an even spread of development throughout the country.

### Industrial Development Consortium

4.8. Steps are being taken for the early establishment of an Industrial Development Consortium on the lines envisaged in the manifesto. It is intended that the Consortium, when established, should:

- monitor industrial progress in general, with particular reference to job creation and job maintenance
- identify obstacles to industrial growth and suggest solutions
- co-ordinate the activities of the relevant State agencies to maximise the contribution of these agencies to industrial development.

The main objective in establishing this co-ordinating body is to ensure that existing Irish industry has available to it the resources necessary to achieve growth targets and that barriers to progress are removed as they arise in specific cases.

### Mining

4.9. The mining exploration which began in the 1960s has yielded substantial dividends. The Government will maintain conditions conducive to further exploration and will ensure that deposits are exploited to the maximum advantage for employment and downstream industries. Legislation will be introduced to clarify the present uncertainty about mineral ownership. The possibilities for an active role by the State in minerals' exploration and development will be reviewed. Firm decisions on the construction of a zinc smelter will be taken when the results of the smelter project study, now nearly completed, have been examined.

### Agriculture

4.10. In terms of employment and output agriculture is of greater relative importance to the Irish economy than to that of any other EEC Member State. The farm labour force amounted to an estimated 236 000 persons in 1976 or 21% of the national work force while the gross value of agricultural output amounted to just over £ 1 000 million. Total agricultural exports at £ 658 million constituted 35% of total exports.

4.11. Over the next few years agricultural price increases here are likely to be moderate compared with those of recent years because of completion of the EEC transitional price adjustment steps, lower or possibly no monetary adjustments, and the likelihood of only modest increases in Community prices, especially for beef and milk. Nevertheless the price environment now prevailing for farmers is very favourable for growth. This is of the utmost importance in generating the confidence necessary for farmer investment in higher production.

4.12. The largest single problem in Irish agriculture is that the level of total output is too low. The main reasons for this are -

- (a) the size and structure of farms;
- (b) the small number of farms run by young farmers;

- (c) the ratio of tillage to grassland; and
- (d) inadequate drainage.

4.13. The Government will reform policy in regard to the ownership and leasing of land and will

- establish a Land Development Authority responsible for structural reform,
- encourage long-term leasing to assist young farmers in acquiring land and to facilitate retiring farmers who do not wish to sell outright.

These and other appropriate measures, including fiscal measures, to ensure that purchasers of farmland make the fullest use of its potential, will be considered by the Government when it has had an opportunity to examine the final report of the Interdepartmental Committee on Land Structure Reform. Policy in relation to the implementation of the EEC Farm Retirement and Farm Modernisation Schemes will be further considered in the light of the decisions of the EEC Council of Ministers on the recent proposals for reform from the European Commission.

4.14. The promotion and advisory efforts now being made to convince farmers of the economic advantages of increasing the acreage under crops will be continued and strengthened. The ease with which the tillage acreage can profitably be expanded, given the efficient use of available machinery and equipment, should encourage a large number of farmers to include tillage as a major enterprise in their farming programme. The farming organisations and advisory services will be encouraged to promote better use of machinery through establishing or extending farm contractor services and local co-operation between farmers. The Government welcome the EEC Commission proposal to extend financial assistance for drainage work in the West of Ireland. As soon as the proposal is adopted by the Council of Ministers the Government will launch a special effort to accelerate drainage in the western counties.

4.15. A livestock development programme will be accelerated designed to ensure continuing expansion of the breeding herd, to reduce seasonal and other fluctuations in supplies, and to improve genetic stock and health status. In particular, the disease eradication programme will be accelerated. In the sheepmeat sector the Government will continue to press for the introduction of suitable market arrangements within the Community.

4.16. The net effect of Government policy allied to the favourable environment now prevailing for agricultural expansion suggest that gross agricultural output will grow by about 25% during the years 1977-1980. This will be faster than the rate of growth in any previous 4-year period in the past two decades. In achieving this expansion, the level of inputs of farm materials, particularly fertilisers and feeding-stuffs, is expected to increase by over one-third. Agricultural exports are projected to increase by 40% from £ 658 million in 1976 to £ 920 million in 1980. (at constant 1976 prices).

4.17. Government policy will endeavour to ensure that this expanded production can be marketed profitably and that the agricultural sector is properly equipped to meet this challenge. Membership of the EEC provides free access to export markets not previously open to the agricultural sector. While that access presents market opportunities which, if adequately exploited, can create an unprecedented expansionary phase in our agricultural output, our exports, will have to compete strenuously to win and to maintain market shares.

In the long-term producers will secure their interests not by selling into intervention which has been unduly resorted to in the past but by establishing the reputation of their products on the export market and by providing continuous supplies of a consistently high standard.

4.18. It is Government policy that the food-processing industry be developed in line with farm development. The continuing export of livestock and un-processed agricultural products will result in lost opportunities for additional employment in the food processing industry and for a higher level of economic activity based on the transformation of a primary commodity into a marketable product of a higher value. The improvement of existing Irish market arrangements, especially for meat, is a particularly urgent matter and the Government have recently introduced a national beef classification scheme. It is in the interests of producers themselves to get involved in the marketing effort. The Government will encourage farmers and exporters to work together to make the most of the market opportunities in the EEC and elsewhere, availing where possible of joint ventures in market promotion.

4.19. Differences between exchange rates used for the purposes of the Common Agricultural Policy ("green rates") and market rates have necessitated the application of the complex monetary compensation amount (MCA) system which involves levies and subsidies in intra-Community trade and in trade with third countries. The operation of this complex system has created problems for all member States and has given rise to anomalies and distortions of trade. It is the Government's intention to work for the removal of anomalies that hinder development and in the longer term to aim for the phased removal of MCA's entirely.

#### Co-operatives

4.20. Agricultural co-operatives already play a major role in the Irish economy particularly in the food-processing industries. It is expected that their contribution to general economic development will continue in line with the projected development of the agricultural sector. There are few co-operatives operating in the industrial sector and most of these were formed from existing firms which had run into financial and trading difficulties. It is noteworthy, however, that despite the unsound basis on which these co-operatives were founded they have on balance performed satisfactorily, particularly in the light of difficulties brought about by the recession. It is possible that well-planned change-overs to co-operative ownership would help some firms facing adaptation problems and financial difficulties, provided the changes occur early enough and there is a real commitment by the workers involved to saving the firm. The scope for organising new industrial projects on cooperative principles will also be examined.

#### Forestry

4.21. Over 6 000 persons are employed in the timber industry in Ireland. The export value of timber and timber products has risen from £ 13.79 million in 1973 to £ 29.98 million in 1976, a rise of 117%. At present, however, less than one-third of Irish timber requirements are met by native timber. Only 5% of the total area of the country is now under forest compared with the EEC average of 20%. Almost 80% of the forest area is in State plantations,

two-thirds of which have been planted since 1959/1960. The State afforestation programme has been geared to an annual planting target of 25 000 acres. Because of the relatively small size of our existing acreage and our large projected future demand for timber this planting policy will be continued in the future. The encourage private planting to supplement the State programme the private planting grant scheme administered by the Forest and Wildlife Service is being re-assessed with a view to its expansion.

4.22. The prime objective is the production of wood in sawlog size for the construction industry. The market is good and there is no difficulty in selling in competition with imported lumber. However, because a high proportion of the State Forests is as yet immature much of the existing production is in pulpwood sizes. The marketing of pulpwood poses problems at present owing to international over-production, and as a result, Irish processors have had to face severe competition at home and abroad. Longer-term prospects are encouraging, however, as the EEC at present produces less than 50% of its requirements in wood and wood products and the future growth of demand is expected to exceed domestic supplies. Additional supplies of timber will shortly become available for processing, thereby lessening the country's dependence on imports of wood products (currently valued at £ 150 million). It is estimated that employment in the timber industry will be well over 7 000 by 1980.

#### Fisheries

4.23. In the ten years from 1966 to 1976 investment in the Irish fishing fleet has increased from a base of less than £ 4 million to over £ 30 million, while investment in the fish processing industry has risen from less than £ 0.5 million to almost £ 7 million. Total numbers employed in the same period increased from about 5 250 to about 7 400.

4.24. It is obvious from the figures that the expansion of the fishing industry started from a very low base. In spite of the expansion that has taken place, the industry remains under-capitalized. Of a total of 2 462 fishing vessels operating in 1976 only 189 were in excess of 50 tons. The operating capacity of the bulk of the fishing fleet is limited, and it is estimated that in recent years only about 15% of the total catch taken within the Irish 200-mile zone was landed by Irish boats. The small size of the Irish catch in turn inhibits the development of the fish-processing industry as continuity of supplies to processing centres cannot be guaranteed.

4.25. The Government will continue to press the Irish claim for a 50-mile exclusive fishery limit. Restriction of non-Irish boats to an area outside an exclusive coastal zone will assist in the conservation of fish stocks though it will not, in itself, cause the industry to expand. A fisheries development programme will be prepared which will set the guidelines for greater investment not only in boats but also in processing facilities, harbours, conservation of stocks, marketing, and training.

4.26. Plans are going ahead for a new administrative structure which will have responsibility for the development and conservation of inland fisheries so as to enable them to make a much greater contribution to the national economy. Bord Failte will continue to promote the attractions to tourists of the angling potential of coastal area, lakes and rivers.



### Gaeltacht

4.27. The Government are committed to promoting the economic, social and cultural welfare of the Gaeltacht areas and to achieving full employment in these areas as quickly as possible. Gaeltacht communities will be encouraged to take an active part in their own affairs and Údarás na Gaeltachta will be established in 1978.

### Services

4.28. As the economy develops the services sector is expected to make an increasing contribution to meeting job requirements. Part of the expansion will come through the growth of public services but a significant expansion is also expected in areas of the private sector such as distribution, the professions, banking, insurance and finance. In the recent past, the net contribution of these sub-sectors has been reduced by the impact of the over-all recession and offsetting redundancies. The incidence of redundancy has now moderated, however, and there has been a corresponding improvement in the prospects for overall employment growth.

4.29. Projections of growth in the services sector are based on

- the inducement effect of growth in the other sectors of the economy, in particular that in the manufacturing sector, and
- developments in tourism.

Employment in the distribution sub-sector which actually declined in the first half of this decade is expected to increase. The rationalization which has taken place in the 1960's and early 1970's appears now to be largely completed and the indirect effect of steady high growth in industry and in agriculture should result in increased employment in that sub-sector. Employment in the professions which includes engineers, accountants, and research workers is expected to be boosted by the IDA promotional programme aimed at encouraging services firms - particularly consulting engineers and computer software firms - to establish or expand offices in Ireland to handle overseas contracts. Irish firms and overseas companies have participated in the programme which is now generating jobs in many professions. Employment growth is also expected in the category "other services" which includes hotel employment. In this area it is assumed that the expected continued decline in domestic service employment will be offset by the increases in the hotel, catering and recreational areas.

### Tourism

4.30. Tourism, after a recent period of difficulty, is now moving steadily towards recovery and sustained growth. The 1977 foreign earnings from tourism are estimated at £ 233m compared to £ 183m in 1976. Numbers of foreign visitors have increased from an estimated 1.7m to 1.9m in the same period. Over the next few years, intensive marketing programmes in traditional markets and a forceful expansion into areas of new business in Europe are expected to generate substantial growth in the industry. Tourist numbers are expected to exceed two million for the first time in 1978 and to reach 2.4m in 1980. Foreign tourism earnings are estimated on this basis to rise to £ 300m by 1980 (at 1977 prices). This growth is expected to create some thousands of jobs, directly and indirectly, in the period to 1980.

4.31. In view of the overall importance of tourism to the economy in terms of employment, regional development and foreign exchange earnings, the Government have asked the National Economic and Social Council to carry out a study to examine the potential and implications of tourism for economic development at national, regional and sectoral levels. This study will provide the basis for a reassessment of policy to ensure that the industry will make the greatest contribution possible towards development.

4.32. Bord Failte are updating their Tourist Development Plan in the light of tourism trends and the Government's economic objectives. Access transport, as described in Section 5, will be developed further by the national airline and shipping companies to ensure that adequate and reasonably priced transport will be available for tourists. External operators are showing increased interest in the growth prospects of tourist traffic to Ireland and may also be expected to increase services to this country.

## Section 5 - Infrastructure development

5.1. The provision of the infrastructure required by industrial and agricultural expansion will call for increased output from, and will generate increased employment in building and construction. The prospects for this sector are reviewed in this Section, as are the Government's intentions in relation to the major infrastructural services such as roads, sanitary services, transport, telecommunications and energy.

### Building and Construction

5.2. Because of its size, the well-being of the building and construction industry is important for the economy as a whole. The output of the industry in 1976, at £ 627 million, amounted to about 14% of the gross national product. The import content of materials used by the industry is relatively low and it employs almost 100 000 people. Output in the industry reached a peak in 1973, declined in 1974 and 1975 and began to recover about a year ago. It is now returning to its peak (1973) level. Since taking office, the Government have given a considerable stimulus to housing activity and have increased the allocations for various other programmes involving construction. The Index of Employees in this industry, published by the CSO, has stabilized and monthly unemployment figures have dropped. Cement sales, which in the first six months of the year were down 2.5% on the corresponding period for last year have now recovered and in the eleven-month period to November, have increased by 1.5%.

5.3. Housing is the most important part of the industry, accounting for over 40% of output. It is treated separately below, as are roads and sanitary services. With regard to industrial building, it is considered that the general upturn in the economy and the need to provide new factories will lead to a continuation of the considerable growth in activity already achieved in this sector.

5.4. Agricultural building has shown the greatest rate of growth in recent years - from an estimated £ 20.72m in 1974 to an estimated £ 69.80m in 1977. It is expected that this rapid rate of growth will continue in 1978 but may then level off for the period to 1980 as a large number of farmers complete their main investment programmes in building. The expected growth in service employment as a result of the general improvement in the economy should lead to increased demand for offices, distribution facilities and tourist accommodation. Output in educational building is expected to increase in the period to 1980 because of an expanding school-going population and the reduction of pupil-teacher ratios. Increased building and construction will also be involved in meeting other needs including hospitals and public buildings.

5.5. Total output of the industry is expected to increase significantly in real terms in the period 1977-1980, with a large rise occurring in 1978. However, given the dependence of the industry on public finance and the limited potential for growth in Exchequer resources, the rate of increase in 1979 and 1980 will be less than in 1978. Because of increased labour productivity there will not be corresponding increases in employment. It is expected, nevertheless, that in the three year period, some thousands of new jobs will be created in this industry.

#### Housing

5.6. A recent assessment of housing needs for the period 1976/1981 has been made by the Department of the Environment taking into account information received from local authorities. An earlier assessment covering the period 1971/1986 was made by the National Economic and Social Council. On the basis of these assessments the Government will ensure that housing output is maintained at levels between 21 000 and 27 000 houses a year each year up to 1980. This will meet the on-going demand and will also make inroads into the backlog of unfit and overcrowded dwellings. Because of the measures to boost housing output taken recently output in 1978 will reach the upper limit of the Government's target.

#### Private Housing

5.7. It is the Government's policy to help and encourage as many as possible to provide their own homes. Finance for house purchase loans is now more readily available than it has been for a long time and interest rates generally are much lower. The new £ 1 000 grant for first time owner/occupiers of new houses will considerably ease the other major problem of potential house buyers, namely the raising of a deposit. The Government believe that in the period to 1980 private sector institutions must continue to provide the bulk of the mortgage finance needed for private house purchase. To this end, the Government will encourage as far as possible

- the efforts of the building societies to attract a continuing high level of new funds;
- the Associated Banks and the Assurance Companies to continue to make a reasonable contribution to meeting the demand for mortgage finance;
- all lending institutions to develop mortgage financing schemes designed to fit the changing repayment capacity of borrowers.

In addition, the loan and income limits under the local authority house purchase loan scheme will be kept under continual review by the Government to ensure that in so far as public sector resources permit, sufficient finance will be provided from all sources to finance the level of housing output needed.

#### Local Authority Housing

5.8. As a result of the expansion of local authority housing output in recent years, there has been a lessening in the degree of relative urgency of the housing demands made on local authorities. At present, apart from Dublin and some other areas, housing needs are being met almost as they arise and in Dublin the number of three-person families (man, wife and one child) on the housing list has grown to 70%. However, the cost of providing local authority houses has risen sharply in recent years from £ 4 600 in 1972/1973 to £ 11 000 per unit in 1977. In some central city areas, where property, land compensation and building costs are higher than normal, the all-in-cost per unit of accommodation may reach as much as £ 26 000. The continuing and accruing subsidy of up to £ 1 500 per unit per annum for normal rented local authority dwellings now being provided is placing a very heavy burden on the Exchequer. In the face of these high costs and given the progress already made towards satisfying needs, the level of activity in the local authority housing programme and/or the extent of Exchequer subsidies will have to be subjected to continuous critical review in the light of available resources. The local authorities will be requested to examine the circumstances of housing applicants in more detail to determine priority needs. The maximum amount of help and encouragement will be given to families who are applicants for local authority-housing to purchase their own new privately-built houses wherever possible with the aid of the generous incentives for private housing recently provided by the Government. In consequence, it is expected that there will be a further reduction in the numbers of applications for local authority dwellings and in the urgency with which they have to be met.

#### Housing stock

5.9. The attainment of a general improvement in housing conditions depends not only on a high level of new house completions as in recent years but also on effective management of the existing stock. The Government have substantially increased reconstruction grants and loans and have also extended the range of housing eligible for such grants. This programme should ensure an improvement in the quality of the stock of existing housing as well as leading to its more effective use. The abolition of rates on housing will help to achieve the same result by encouraging improvement in existing dwellings.

#### Roads

5.10. In Ireland, a higher percentage of passenger and freight traffic - approx. 95% and 85% respectively - is carried by road than in any other country in Europe. A satisfactory road system is essential, therefore, for development of industry, growth in commerce and advancement of tourism throughout the country. Of greatest importance is the improvement of National Primary and National Secondary routes, the deficiencies of which have been

extensively catalogued and widely criticized. For instance, the Roads Needs Study, which was completed by An Foras Forbartha in 1974, established that one third of the inter-urban sections of the National Primary route network was seriously deficient and that large scale investment was needed to bring these roads up to the standards required for present and future traffic volumes. This study is at present being reviewed by An Foras Forbartha and it is understood that the assumptions about growth of traffic underlying the original study are being confirmed. Traffic congestion in the major cities is also serious and known to be a source of substantial costs. To meet these deficiencies the Government are having prepared a major Road Development Plan designed to anticipate the demands of the 80's, and in that context projects for improvements of the main access routes to Dublin and the major route networks serving the other principal cities are being developed. While the execution of such a Plan will prove very expensive, the Government believe that it is, nevertheless, necessary in order to remedy the present inadequacies in the road network. The rate of implementation of the Plan will depend on resources and on the Government's assessment of the priorities which should be given in any year to competing demands for public funds.

#### Sanitary Services

5.11. While there has been a major expansion of investment in the provision of water and sewerage services by local authorities over the past few years, there are still many priority schemes outstanding. The Government will ensure that financial allocations for sanitary services over the period of the plan are adequate to support development and will encourage local authorities to speed up the planning of the priority schemes in their areas.

#### Public Transport

5.12. The Government intends to pursue policies which will enable public transport to meet the needs of economic and social development. There has been a serious increase in recent years in the losses incurred by Coras Iompair Éireann. Every effort is being made to improve productivity and efficiency in CIE with a view to reducing these losses. Costs are being reduced by the use of improved handling and operating techniques and by increased productivity. Mainline railway services are being rationalized and developed. Rail freight operations are being concentrated on a smaller number of locations with the emphasis on bulk haulage and unit load movement. Passenger services are being improved by shortening journey times.

#### Road Freight

5.13. Licensed hauliers can make more flexible and continuous use of equipment than can "own-account" operators who carry their own goods. The proportion of "own-account" transport in Ireland is very high and is estimated at 80% of the total. The Government propose to amend the transport legislation to allow greater freedom to licensed hauliers, which should result in more efficient and consequently cheaper transport.

### Air Transport

5.14. Aer Lingus, like most international airlines, has suffered heavy losses in recent years, although a modest profit was achieved in 1976/1977 and a substantial increase in profits over the next few years is expected. Passenger traffic is expected to increase by 18% from an estimated 1.95 million persons carried in 1977/1978 to 2.31 million in 1980/1981. Cargo traffic is expected to increase by 22% from 55 400 tonnes to 67 700 tonnes in the same period. Increased traffic of this order will require increased carrying capacity. The Department of Tourism and Transport is actively seeking agreements with countries not already served which would facilitate the extension of the airline's network in the future.

5.15. Aer Lingus ancillary activities represent a very successful side of the Company's operations and are expected to earn operating profits amounting to £ 22 million (at 1977 prices) in the period under review.

### Sea Transport

5.16. The present small size of the Irish fleet and the fact that most Irish trade is carried in foreign flag vessels is a cause of concern for an island economy, which of its nature must have a vital interest in access transport. An examination is at present being made in consultation with the Irish shipping industry of the measures that might be taken to stimulate growth and provide a basis for long term development of this industry. In the meantime, despite difficulties stemming from the high cost of ships and the present uncertain state of the market, it is proposed to increase capacity on continental and Irish Sea routes. Irish Continental Lines propose to add a second car ferry in 1978 and are considering providing a specialized car carrier. The B and I shipping line plan to bring their fourth cross-channel car ferry, now being built in Verolme Cork Dockyard, into operation in 1978. The company also propose to acquire a roll-on/roll-off vessel for use on the Dublin/Fleetwood route in 1979.

### Harbours

5.17. A 5-year development plan has recently been published for Dublin Port. This plan outlines the additional facilities required to cater for the projected increase in traffic through the port. Expenditure involved will be about £ 750 000 in 1978, with similar levels of investment in 1979 and 1980. The new deep-water harbour being provided at Cork, at an estimated cost of £ 16.5 million will provide facilities for bulk cargo and roll-on/roll-off traffic. Other harbours will be developed as necessary to meet the demands of commercial and tourist traffic.

### Telecommunications

5.18. Inadequacies in telecommunication services are a hindrance to efficiency and an obstacle in the way of attracting new industry to the country. A continuing major effort to remedy such shortcomings is under way to support economic development and to enable telecommunications to play an enhanced part in social life.

### Telephones

5.19. The telephone service is the principal branch of telecommunications, as it provides, in addition to a telephone service to users, the basic transmission networks for telex, telegraph and data service. The number of telephones per 100 population and the percentage of telephones served from automatic exchanges in Ireland are the lowest in the EEC. The waiting list for telephones is high (40 000) and the general quality of service is less than satisfactory in a number of respects. Development of the service is expected to result in an increase in connections from 38 000 in 1976 to 64 000 in 1980, raising telephone density from the present 15 to 18 per 100 of the population. Widespread improvements will be made in the quality of service. It is planned to have 92% of telephones served from automatic exchanges in 1980 and to have much of the groundwork necessary for further extensions of the automatic system completed by then.

### Telex and Data Transmission

5.20. Demand for telex and data transmission facilities - which are now regarded as essential for many businesses and institutions - is growing rapidly. There are about 3 000 telex lines at present and the number is expected to reach 6 000 in 1980. A new major telex exchange in Dublin will be required by then; the necessary arrangements are already in hand.

5.21. In the period up to 1980, it is envisaged that there will be a significant increase in the number of jobs in telecommunications. A high proportion of the jobs will be for graduated and for skilled and semi-skilled technician staff. A feature of the extra employment is that it will be spread throughout the country. Additional employment will also be generated indirectly e.g. by contractors who erect exchange buildings, manufacture and install equipment.

### Energy

5.22. In 1976, total consumer cost of energy amounted to approx. £ 750 million or 16.7% of GNP. About 80% of total energy consumed has to be imported so that apart from the cost in terms of foreign exchange, supplies are open to disruptions or other factors over which this country has little control.

5.23. In a world context, the energy situation is changing rapidly. To meet the challenge of recent price increases in fuels, new sources of energy and new technologies are emerging providing more choices of action in energy policy. Within this framework, the Government intend to formulate a comprehensive national energy policy and strategy which will include the following aims:

- the optimum development of indigenous energy sources
- access to secure supplies for imported energy sources
- diversification of sources of energy supply
- the promotion of economy in the use of fuels.

Particular consideration is being given to the establishment of a nuclear power station to provide electricity supplies for expanding industrial employment and to the optimum use of the natural gas from the Kinsale Head field. The exploration licences for oil and gas which were issued in 1976 are designed to secure the maximum spread of exploration activity around our coast. Next year will see a doubling of the rate of drilling activity as compared with the previous two years.

## Section 6 - Conditions for achievement of Government aims

6.1. While action taken in specific sectors of the economy will contribute largely to the achievement of the aims set out in Section 2, it would not be sufficient on its own for their full accomplishment. Further action is also necessary to establish more general conditions favourable to rapid economic and social advance. This section outlines what needs to be done in this respect in the main areas of concern.

### Incomes Policy

6.2. The primary condition on which achievement of the Government's aims depends is the evolution of incomes along lines which permit increased employment in an environment of price stability. The Government will, therefore, seek the acceptance by the trade unions and employers of policies in this area which will ensure an increase in disposable incomes and domestic demand sufficient to support growth rates, but which will at the same time, avoid creating cost pressures adversely affecting competitiveness.

6.3. Attempts by sectional interests to raise their income in the short-term at the expense of other members of the community are inconsistent with such policies and tend to be ultimately self-defeating. Other groups will inevitably pursue the example given by the lead-group and their successive claims will add to cost pressures and rising prices until eventually inflation cancels out the real benefits of previous increases in monetary incomes, and continuous rounds of pay claims are precipitated.

6.4. Since employee income constitutes well over half of national income, and is a major element of production costs, moderation in pay increases is essential to maintain the competitiveness of national production, the attractiveness of Ireland as a base for new industry and the establishment of conditions for rapid growth accompanied by high employment levels. In order to secure the degree of moderation which is now essential, the Government have reduced the weekly social insurance contribution by £ 1 for all workers earning less than £ 50 and have put forward for the consideration of the social partners proposals on the other two main determinants of take-home pay, namely, wage rates and income tax. The Government's decision to abolish domestic rates and car tax on medium-sized and small cars will further increase the real value of take-home pay. Acceptance by the social partners of the Government's proposals will give stimulus to growth and employment and at the same time ensure a significant increase in real wage income for the average worker and a reduction of the rate of price increase to 7% within 1978. It will also give rise to a significant competitive advantage in the short-term which will have to be maintained and even increased in the future.



6.5. The benefits of pay moderation will not accrue automatically. Industry must translate the resultant competitive advantage into increased employment and output. While recent and new industrial development is expected to make the major contribution to meeting this requirement, the Government's strategy also envisages that existing industry will make a significant contribution through higher output and exports. The Government, for their part, will continue to foster an environment in which increased investment raises both employment and productivity and provides a sound basis for advances in real income. They will expect the active support of the social partners in this respect.

6.6. The development of incomes other than pay is also of concern to the Government. Profits, in particular, can be expected to improve over the next few years as a result of growth and active business conditions. The Government envisage that enhanced profitability will result in greater investment and the provision of more jobs in the private sector. The response to the policies proposed for 1978 will be carefully assessed to see how far these expectations are borne out. If the results are not satisfactory, whatever revisions in the Government's strategy that are deemed desirable will be made.

6.7. The ordered development of incomes along the lines discussed in the preceding paragraphs will make it possible to have in subsequent years substantial increases in employment and output and a real improvement in living standards. The wage-price spiral will have been slowed down and the pressure for inflationary wage settlements will have been controlled. Under these circumstances, Government policy will be to ensure that earnings continue to rise at a moderate rate and to provide for improvements in the standard of living of workers without eroding the progress made in 1978. Taxation policy will be an important instrument in this further development.

#### Manpower Policy

6.8. A second condition or prerequisite is a coherent manpower policy which will provide a highly-trained labour force possessing the relevant skills needed for economic development. For this policy to be successful it must have adequate labour market information and be implemented by effective agencies in the areas of job placement, guidance and training. In compliance with these needs, the Government intend to improve the placement and guidance service which the National Manpower Service provides; to expand AnCO's training facilities and to develop the apprenticeship system. To facilitate consultation with trade unions and employers and to arrange for their continued co-operation in this field, the Manpower Advisory Committee will be revived at an early date. The Government will also press for an extension of the range of existing financial aids from the European Communities to cover employment promotion measures, particularly for young people. The European Social Fund already aids training and resettlement schemes, usually on the basis of matching public expenditure on approved operations, and in 1977 provided assistance of about £ 19m. The possibilities of receiving support from the Fund for research into employment policies and practices will also be explored. As an integral part of manpower policy, arrangements are being made to provide for a larger intake of disabled persons to public employment and other employers will be encouraged to make similar provision for the disabled.

## Industrial Relations

6.9. The provision of employment is being seriously threatened by recent trends in industrial disputes. The incidence of unofficial disputes is particularly disquieting. Upwards of one-third of the days lost through strikes in 1977 were attributable to such disputes. Government policy is not to intervene directly in particular disputes unless the established procedures supported by the parties have been used to the full without success. They seek instead to encourage employers and trade unions by every means possible to promote harmonious industrial relations and to establish and maintain conditions in which agreements on pay and conditions of work have the best prospect of being observed. The Government consider that the time is now opportune for an independent investigation of the state of industrial relations. A Review Group on Industrial Relations is, therefore, being set up to carry out a comprehensive review of the entire system to see what improvements can be introduced.

6.10. Elections of employee directors in the State bodies covered by the Worker Participations (State Enterprises) Act 1977 will be held as soon as arrangements are finalized with management and unions. This scheme will be monitored closely to see if any changes are called for in the light of experience, especially in the context of promoting worker participation in management in the private sector. The Government will be happy to support any moves by both sides of industry in exploring ways and means of implementing arrangements such as those suggested in the draft national agreement on works councils drawn up by a Sub-Committee of the Employer-Labour Conference.

## Science and Technology

6.11. The application of science and technology to economic activity is a basic requirement for sustained growth. It pervades all facets of the growth process and it affects all sectors of our economy. The Government intend to use the country's science and technology resources to the full in order to enhance our capacity for innovation and productivity gains in all sectors. Towards this end legislation has been enacted for the setting up of the National Board for Science and Technology. This Board will become operational as soon as possible in 1978, and will be the focal point for ensuring that our national research and development effort is harnessed to economic and social development.

6.12. It is inherent in the nature of scientific and technological activity that it takes place in a medium to long-term perspective. While much of our technology is brought in from abroad, its adaptation to Irish conditions can only be brought about over a period of years by a home-based research and development capacity. In this context the priority areas for study and action over the next decade will include energy, marine resources, minerals, environment, agriculture, food processing and data processing. Energy will be given a special importance and the main objectives under this heading will be to achieve cheaper indigenous sources of energy and a more efficient operation of the energy system. There is already a co-ordinated programme of development which is closely linked to EEC programmes in energy research.

6.13. Within these priority areas it will be the responsibility of the National Board for Science and Technology, in close co-operation with the relevant agencies and parties in the public, private and higher educational sectors, to promote and co-ordinate those research and development projects which have the greatest contribution to make to the attainment of national objectives in the industrial and agricultural sectors or social services.

### Reform of the Public Service

6.14. The achievement of the economic and social aims of the Government depends to a significant degree on the effectiveness and efficiency of the public service. The public service is the main instrument through which the process of development is planned and managed. The Government are fully committed to a programme of reform to ensure that the public service is adapted to and remains responsive to the changing needs of development. Reform will be concentrated on four main areas.

6.15. The first area of reform is the provision of the necessary support to management at the levels of Government, individual Ministers and Departments and agencies. At Government level, the basic structure is now complete with the rationalization which has been effected between the central Departments of Economic Planning and Development, Finance and the Public Service. Each Department with a major economic or social remit will be provided with an adequate planning capacity through the establishment of specialized planning units to assist management in the preparation and review of progress on plans for the Department's area of responsibility and to form part of an integrated planning function for the coordination of plans on a national basis. Similar specialized support units will be created in Departments to assist management in the functions of finance, organisation and personnel. Through the rationalization and strengthening of management support throughout the public service, the Government will be provided with an integrated system for the planning and management of their programmes. In this way they will ensure that the public service will facilitate actively and be responsible for the implementation of the various Government plans.

6.16. This improvement of specialized management support will facilitate the application of major reform in the structure of the public service. The report of the Public Services Organisation Review Group stressed that the main reform required was to relieve Ministers and their chief advisers as far as possible from the pressure of daily executive business. The recommended solution was the restructuring of each Department into a central area, the Aireacht, broadly responsible for policy and overall management and a number of executive bodies broadly responsible for the execution of settled policy. Restructuring on these lines has been applied experimentally in a limited area; steps are now being taken to extend the arrangement to all Departments.

6.17. The third major administrative reform is concerned with the cost-effectiveness of public sector programmes. Because of technological progress, an increasing proportion of new employment opportunities must be provided in the services sector including the public sector. Most public service activities provide services to the community which are paid for from general taxation; they are not subject to the disciplines of the market which, however imperfect they may be, ensure in the long run that the services provided are relevant to the consumer's needs and are provided efficiently. It is necessary to keep public service programmes under constant review not only to maintain efficiency and avoid waste of resources but to see that the services provided are effective and directed towards the achievement of the targets which the Government have set. The Departments of the Public Service, Economic Planning and Development and Finance will undertake a continuing review of the cost-effectiveness of public sector activities.

6.18. The application of positive policies for personnel administration and development is the fourth main area of administrative reform. Reform of structures will not ensure a better administrative machine unless the personnel concerned are carefully selected and developed. Personnel administration in the public service will, therefore, pay particular attention to securing planned staff development and the encouragement of mobility by the lowering of barriers to the movement of staff between different public sector institutions and classes.

### Security

6.19. An essential prerequisite for social, as well as for economic development, is a secure and orderly environment. Insofar as the executive, as distinct from the judiciary, is concerned, the main function of preserving order is performed by the Garda Síochána as the body with the primary responsibility for the enforcement of the criminal law and by the prison service. In present circumstances, a major activity of the Defence Forces arises from their supportive role to the Gardai in the maintenance of law and order.

6.20. The Government are committed to the maintenance of strong, well-trained and well equipped security forces. To this end the approved strength of the Gardaí has been increased by 500 in the current year and it is proposed to increase it by a further 500 next year. The strength of the prison service is also being increased by over 300.

6.21. The Naval Service has been expanded due to increased fishery protection duties and further expansion in terms of material and manpower is proposed. The declaration of an Irish 200 mile fishery limit on 1 January 1977 increased the area to be patrolled from 15 200 to 132 000 square miles. To patrol this area it will be necessary to expand the naval and air services in terms of equipment and manpower. The Government will ensure that, as far as possible, any extra ships required for this purpose will be constructed in Ireland. The level of EEC aid for fishery protection is at present under negotiation.

## Section 7 - Social services development

7.1. Advances in the social services are almost entirely dependent on the availability of adequate public resources. These resources are likely to be under severe strain over the next few years, notwithstanding the expected growth in the economy, and will have to be carefully husbanded for essential purposes. In particular, it is desirable that the limited funds that will be available should not be eaten into by excessive increases in monetary incomes which would diminish the real impact of Government spending. In contrast to the limited availability of resources, a growing population implies increased public expenditure on education, health and welfare if the level of the social services are to be maintained, let alone improved. The pace of development of the social services must have regard to the limits defined by these considerations; in the event of significant easement of the public finance problems, the scope for more rapid progress will be explored.

## Education

7.2. The last decade has seen a very substantial increase in Government expenditure on education. In the period 1971/1972 to 1977 alone Government current expenditure on education increased more than threefold. In the years to come, the maintenance or the existing level of service for an increasing number of pupils seeking education will pose considerable problems. The Department of Education estimates that the number of pupils in national schools will increase by almost 5% from 536 000 in 1976/1977 to 563 000 by 1981/1982. At second level the number of pupils is expected to increase by 10% to bring their total to 310 000. This increase would consist of a rise of 7% in numbers in the junior cycle and of 16% in the senior cycle. The number of pupils in third level education could increase by over 30% in the same period to bring the total to 45 000. The higher number of pupils at the different levels will mean extra classes and will require additional teachers and support services and substantial capital spending on new class-room accommodation.

7.3. Chief among the Government's priorities for improvements in the educational system is the reduction of the pupil/teacher ratio in primary schools. The present intention is to reduce the size of classes in national schools so that none exceeds 40 pupils, with the ultimate aim of reducing class sizes to 32 pupils. The estimated number of additional teachers that will be required to improve the pupil/teacher ratio so that, with proper organization, the number of pupils in any one class would not be more than 40 is 1 600, and the annual cost of paying them is estimated to be £ 7.5m at current salary levels. Capital spending of about £ 19m is required to provide the necessary additional classroom and other accommodation and equipment. With a view both to increasing quickly the supply of national teachers and providing employment, the Government have made a special recruitment of 300 graduates over and above the normal requirements and are providing training to enable them to commence teaching in the coming school year.

7.4. The Government have also taken steps to improve the pupil/teacher ratio in second-level schools. For the school-year 1977/1978, the appointment of one teacher to every nineteen pupils in secondary schools has been sanctioned. This compares with the ratio of one teacher to every twenty pupils applicable in the school-year 1976/1977. A similar improvement has been made in Vocational Schools by allowing an allocation of teachers to Vocational Education Committees on the basis of one teacher to 16.5 pupils as compared with the previous year's allocation of one teacher to 17.5 pupils. It is expected that these reductions in pupil/teacher ratios in second-level schools in the current school-year will give rise to 600 new teaching posts at an annual cost of £ 2.25m.

7.5. The cost of improvements in the education sector can be very high. The implementation of improvements will, therefore, be phased because of the limitation on resources and the competing demands on the available funds.

## Health

7.6. Between 1971/1972 and 1977 public current expenditure on health increased almost fourfold from £ 86m to £ 328m, rising from 4.5% of GNP to just over 6%. About 95% of this expenditure is now financed by the Exchequer. Public capital spending on health facilities is about £ 16m, or just over 4½% of total public health expenditure.

7.7. Modern Governments recognise that, within the limitations imposed by their economic circumstances, reasonable priority must be given to the provision of adequate health services. The Government's health policy will aim at providing a first-class general service which will secure the highest possible standard of physical and mental health for all the people to ensure that no person will be denied medical care because of this inability to provide for it out of his or her own resources.

7.8. To help meet these objectives, the Government have allocated additional funds to the health services for 1978. In the allocation of these funds, a high priority is being given to preventive medical and health education. Among the specific measures being considered is a more effective control of advertising of products such as tobacco and alcohol which have been demonstrated to be injurious to health. Over the period covered by the White Paper funds will also be allocated for the development of preventive services. The development of community care programmes to provide a full range of appropriate services will be another priority. At the same time, the maintenance of modernizing of the hospital system will be pursued so as to cater for the needs of the rising population. Discussions on the improvement of the general medical service and the dental, ophthalmic and aural services will be pursued with the professional organizations and other interests concerned. The re-organization of the mental health services and the further development of the programmes for the care of the mentally handicapped will also receive a high priority. It will be the aim of the Government to ensure the widest possible acceptance of a positive policy for family planning and to introduce the necessary legislation for this purpose. The Minister for Health is having a series of broad-ranging discussions on this.

7.9. As well as its purely social aspects, public expenditure on health has an important economic dimension. It not only provides direct employment for about 5% of the workforce, but also gives rise to considerable indirect employment both in the manufacture of medical equipment and drugs and in the provision of supplies to hospitals. Such expenditure also contributes to the health and efficiency of the workforce, and thereby reduces demands on certain income-maintenance services.

7.10. As part of its job-creation programme, the Government has already allocated additional funds for the commencement of new capital projects in the health area. During the period up to 1980 the further capital allocations to be made will permit the commencement of several new projects for the improvement of general and psychiatric hospitals, homes for the mentally handicapped, welfare homes and health centres, resulting not only in better facilities for the health services but also employment in the building industry.

#### Social Welfare Services

7.11. The social insurance system provides for the maintenance of a reasonable proportion of income for workers and their dependants in periods of difficulty caused by illness or unemployment. The system also provides for pensions and for various other needs. Employers' and employees' contributions finance some 80% of expenditure under the system on the Exchequer makes up the balance. Persons in need who are not insured under the social insurance system or who have exhausted their entitlements under that system are

provided (after a means test applying to the bulk of those concerned) with social assistance which is virtually entirely financed by the Exchequer. Overall, the level of Exchequer financing of total social security expenditure in Ireland is the second highest in the European Community.

7.12. Many of the benefits and payments provided by way of social insurance and social assistance were introduced in response to particular needs as these were perceived over the years. The Government are committed to maintaining the living standards of social welfare recipients by regular adjustments of the level of payments at least in line with the cost of living. They also intend to devote special attention to those social welfare recipients who have little income other than their weekly social welfare benefit. In line with this intention, an inter-Departmental inquiry into the operation of the means test has been carried out and proposals in this area are currently under consideration. In addition, telephone rental charges for old age pensioners living alone are to be subsidized from next year. Furthermore, a supplementary welfare allowance scheme, to replace the outdated home assistance system, is now in operation.

7.13. The Government have decided that contributions of employers and employees to the Social Insurance Fund will be more fully related to pay. When implemented, this scheme will distribute the burden of financing the Fund in a more equitable and progressive way. One result will be a relative reduction in labour costs in labour-intensive industries, where wage-rates are normally below the national average. Many of these industries are subject to intense international competition and their trading position will benefit from implementation of this decision. It is intended to introduce the new system in 1979.

7.14. The self-employed who comprise 25% of the labour force in Ireland, compared with 7% in the UK, are not at present covered by the social insurance system. Extension of social insurance to such persons is being considered and the Government have recently issued a Green Paper on the subject.

7.15. A Green Paper on a national income-related pensions scheme was published some time ago and the views submitted by interested parties are being examined. In this context consideration is also being given to two Government objectives. The first is to ensure that the pension rights of persons who accept voluntary phased retirement in order to make jobs available for others are not adversely affected. The second is to provide for the transferability of pension rights of persons changing from one occupation to another or to a similar occupation with a new employer.

7.16. If the Government's priority objective of reducing recent high levels of unemployment over the next few years is reached, there should be an improvement in the finances of the Social Insurance Fund through a reduction in the number of recipients of unemployment benefit and an increase in the number of contributors. A corresponding easement of the draw on the Exchequer in relation to unemployment assistance will facilitate the Government in maintaining the real value of social welfare benefits.





### Part III

#### FUTURE ACTION

The action towards meeting the Government's economic and social aims which is outlined in the preceding Part of this White Paper will be undertaken within the constraints imposed by the Government's policies for the public finances. This Part indicates the general direction of these policies as they will affect Exchequer borrowing, expenditure and taxation. The final Section of this White Paper (Section 9), in recognising that the action already under way will not fully attain the Government's aims, identifies the next steps which the Government will undertake.

#### Section 8 - Public finance

8.1. This section sets out the Government's broad policy in relation to public finance which is a key concern in the overall development strategy. The first phase of the strategy, to be implemented in 1977 and 1978, calls for a significant increase in public expenditure in order to raise employment and output. It also envisages that moderation in income increases will enable substantial tax cuts to be made. The Government will give effect to those proposals given adequate response from the social partners. Following the first phase, the Government expect a substantial advance in the capacity of the private sector to provide employment opportunities. This recovery will permit moderation of the extent to which the creation of employment at present depends directly on public financing and will facilitate the reduction of the Exchequer borrowing requirement.

8.2. The Government have already approved substantial current and capital expenditure for increasing employment in 1977 and 1978 in accordance with the manifesto proposals. To provide for this expenditure and to allow room for possible tax concessions, an increase in the borrowing requirement is envisaged for 1978. As indicated in the manifesto this temporary increase must be followed by a reduction in the public sector borrowing requirement as a proportion of GNP in the years after 1978.

8.3. Projections of likely Exchequer-financed expenditure for the period up to 1980 show continued growth in 1979 and 1980 of the proportion of GNP represented by such spending. This growth would not be matched by the increase in Exchequer resources that would accrue even with significant progress in national development. In such an event there would, therefore, have to be an increase in tax rates and/or an extension of the tax base to enable the gap between expenditure and revenue to be reduced. There is a conflict here.

It is the view of the Government that in 1979 and 1980 the need to maximise incentives to growth in output and employment in the private sector requires that a key budgetary aim should be containment of the overall burden of taxation. A rapid growth in Exchequer expenditure as a proportion of GNP would not be consistent with this aim. It is, therefore, the Government's intention to adopt the policy changes necessary to moderate the overall growth of public expenditure in 1979 and onwards.

#### Public expenditure priorities

8.4. In formulating policy changes to moderate the growth of public expenditure, the Government will give first priority to expenditure directed at enlarging employment and maintaining existing employment in the directly productive sectors of the economy. These expenditures fall mainly within the Public Capital Programme as only a small proportion of all non-capital expenditure can be so classified. Hence policy changes will be concerned with increasing the relative proportion of productive investment to public expenditure as a whole. Second priority will be given to expenditures that provide the infrastructure necessary to encourage and support productive investment and related infrastructural services in the public sector. In order to ease the Exchequer burden consideration will be given to increasing receipts for the provision of these services so that a greater proportion of their costs will be borne by those who benefit directly.

8.5. As regards the social services, the National Economic and Social Council are considering the alternative strategies of universal as against selective provision of these services in Ireland. Since close to two-thirds of the increase in the Exchequer's current expenditure as a proportion of GNP in the period 1971-1977 was accounted for by the social services, the outcome of the Council's studies will be of considerable interest in the determination of the direction of future policy in this area.

#### Taxation

8.6. The basic function of taxation is to finance in an equitable way the provision of such public services as are regarded as necessary in the light of the economic and social objectives and needs of the country. The Government recognise the value of a favourable tax regime as a stimulus to initiative and investment which maintains or generates employment. It is their aim, accordingly, to keep the tax burden to the lowest level possible, and with this in mind tax cuts amounting to about £ 160 million for 1977/1978 were advocated in the manifesto, and many have now been put into effect.

8.7. The burden of total taxation, measured as a percentage of National Income, remained stable at around 40-41 per cent from 1970 to 1975. In 1976, it was increased to over 46%. Government action already taken, allied to the further concessions in the manifesto, will reduce the weight of total taxation towards the levels prevailing during the first half of the decade. On the assumption that the future development of the economy will be in line with that envisaged in the Government's strategy, it should be possible to limit taxation so that the tax burden would be less in 1980 than in 1977. However, within this total measures might well be needed to prevent undesired changes in the composition of tax revenues and the distribution of the tax burden. For example, if 1977

rates of taxation adjusted to take account of manifesto concessions were to remain unchanged, the real value of income tax allowances and bands would decline, with the result that the real burden of direct tax, e.g., on wages and salaries, would increase. Conversely, with unchanged rates of specific excise duties, taxes on expenditure on dutiable goods would decline progressively; the reduction in the real value of excise duties would in effect reduce the level of taxation on what are generally regarded as non-essential items of expenditure. In the interests of equity between individuals and between different sectors of the community and having regard to their economic objectives, the Government will examine what tax adjustments may be called for to ensure that unwarranted changes in the composition of taxation are avoided. In deciding on adjustments care will be exercised to ensure that taxes on expenditure do not impair the need to moderate inflation, and that the evolution of taxes on incomes and profits contributes to the orderly progression of incomes and acts as an incentive to enterprise and initiative.

8.8. The Government believe the preceding approach to expenditure and taxation is correct. But it is conditional. It is dependent, firstly, on the achievement of a high rate of growth in the period concerned, secondly, on the enlargement of the role of the private sector as a source of employment and economic dynamism and, thirdly, on the observance of the conditions of development as discussed in earlier sections. For example, if incomes were to develop along lines contrary to those envisaged in the manifesto strategy, corrective fiscal action might need to be taken with consequent departures from the approach which the Government regard as best suited to the achievement of national goals.

#### Section 9 - Next steps

##### Assessment of the impact of policies now in operation

9.1. The development strategy laid out in this White Paper represents a positive and realistic attempt to set our economy on the road to national reconstruction. The Government do not accept the proposition that, because we are an extremely open trading nation, dependent to a large extent on the world economy we can have little control over our own economy. The Government believe that, with the support of the community they can do a great deal to shape the direction and development of our economy during the years ahead. The impact of the measures now being taken to achieve the aims described in Section 2 of this White Paper should be reflected in improved economic performance in 1978. The Budget for that year, which is being framed by reference to the manifesto strategy and the broad policies in this White Paper, will ensure implementation of the Government's programme. It is expected that the underlying growth rate for the year will be given a strong upward impetus and should rise to about 7%. Employment should go up by about 25 000 and there should be a continuation of the downward trend in unemployment.

9.2. Considerable progress has already been made in curbing inflation but, if the advances made in recent months are to be consolidated, there can only be moderate increases in pay. This would leave the way open for Government action as contemplated to raise employment and increase overall real purchasing power. On that basis there should be a marked increase in private consumer demand

which will provide a strong foundation for growth. This should be reinforced by a significant rise of about 12% in investment deriving from more public capital expenditure and revived confidence in the private sector.

9.3. Continued high growth rates are expected in 1979 and 1980. There are a number of areas however where there is a gap between the progress that will follow from present policies, and what is ultimately required for high, sustainable levels of employment; standards of living closer to the general European level and satisfactory social progress.

#### Steps to be taken in 1978

9.4. The Government's main planning task in 1978 will be to devise measures that will bridge that gap and to bring the development of the economy more closely into line with the pattern discussed in Section 3. In this regard, two main issues need examination and resolution.

9.5. The first concerns the reorientation and containment of the growth of public expenditure so as to enable the current budget deficit to be reduced without endangering employment prospects. Before deciding on specific policy actions, the main public expenditure programmes will be reviewed so as to identify spending areas where the economic and social advantages gained are no longer commensurate with the cost and where re-structuring of policy would be justified. The review will also be concerned with examining the financing methods which apply to various programmes.

9.6. The second issue for attention is ensuring that growth and employment in the private sector make a larger contribution to national development as envisaged in the Government's manifesto. The normal entrepreneurial response to improved economic conditions and better demand prospects can be expected to go a large part if not most of the way towards making this contribution. Nevertheless, the Government will be concerned to see that this response is encouraged to the maximum extent possible and that obstacles in its way are removed. Financial and marketing obstacles, in particular, and means of overcoming them will be examined. Special attention also needs to be given to the promotion of new sources of enterprise both in the private and public sectors.

9.7. A statement of policy reforms will be made and possible lines of action will be defined, during the first half of 1978. The results will then be published in the form of a Green Paper so as to provide a basis for discussion with the social partners and to promote the maximum understanding and support for the policy measures to be taken. Subsequent to these discussions and by the Autumn of 1978, a comprehensive planning paper will be published. In addition to reviewing progress during the year and assessing the effectiveness of the action already taken, this paper will set out the further new measures to be initiated and any revisions envisaged by the Government in their policies for reaching national economic and social goals.

9.8. This sequence of systematically reviewing existing programmes and of discussing proposals for their revision with the social partners will be developed in future years. Accordingly this paper should be seen as the first in a continuing series of Green (discussion) and White (decision) papers by which the Government will set out their policies for economic and social

progress and promote informed public discussion on these questions. The sequence will be designed to achieve the maximum public awareness of the issues raised by the need to accelerate the pace of economic and social progress. The Government will continue to ensure that it should bring about an increased degree of consensus on the nature of the basic policies to be operated in pursuit of these goals. It is not expected however that there is likely to be full unanimity of viewpoints. To the extent that differences of view as to the most desirable goals and policies persist, it is the function of the Government to decide which courses of action to pursue.

### Conclusion

9.9. The present paper does not seek to be a comprehensive statement of Government policy on economic and social progress. No reference has been made for example to such issues as law reform, equality of treatment for women, or the nature of Irish aid programmes for developing nations. On these, as on many other issues, action has already been taken by the new Government, while proposals for future action will be set out in subsequent publications. The emphasis in this paper has been placed on the evils of unemployment and inflation because these are the most urgent issues confronting the nation in the economic and social sphere. The defeat of these twin evils would not alone strengthen the economic base of our society: it would also represent a major step forward in the realm of social justice. These must be the first battles to be fought and won.



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ANNEX 1

ECONOMIC AND SOCIAL ANALYSIS

Introduction

1. The generation of sufficient productive and infrastructural investment to provide adequate levels of employment at satisfactory income levels is a primary economic and social requirement in Ireland, and has been central to the development efforts of successive Governments in the post-war period. This annex sets out the demographic and socio-economic background to the problem involved.

Labour force increase

2. Table I below shows that during the sixties the Irish labour force increased only marginally. This was a consequence of emigration. With the virtual cessation of net emigration in the first half of the seventies and the sustained population increase which has been occurring since 1961, it was inevitable that the rate of labour force growth would increase. Between mid-April 1971 and mid-April 1975, the labour force increased by 0.4% a year (from 1 120 000 to 1 140 000). The increase would have been much greater but for the net offsetting effect of participation rate changes in the period, shown in Table II; the increased participation rates for married women were offset by the decline in the rates for the younger and older age groups reflecting educational and retirement eligibility developments.

TABLE I<sup>1</sup>  
Labour Force (000's)

1961			1971			1975		
Males	Females	Total	Males	Females	Total	Males	Females	Total
821	287	1 108	832	288	1 120	841	299	1 140

<sup>1</sup> Figures for 1961 and 1971 are for those aged 14 years and over, while figures for 1975 are for those aged 15 years and over.

TABLE II<sup>1</sup>  
Overall Labour Force Participation Rates

1961			1971			1975		
Males	Females	Total	Males	Females	Total	Males	Females	Total
82.4	28.6	55.4	79.2	27.3	53.2	78.9	27.6	53.2

Note

The current estimate of the labour force may be understated especially in relation to school leavers seeking work. The 1975 Labour Force Survey suggests that an upward revision may be necessary but no changes are being made pending the results of the 1977 Labour Force Survey expected to become available later this year.

<sup>1</sup> Figures for 1961 and 1971 are for those aged 14 years and over, while figures for 1975 are for those aged 15 years and over.

Migration

3. In the period 1951-1961 emigration averaged over 40 000 a year, or over 1% of the population. The following decade, 1961-1971, saw a significant decline in the rate of outflow, the yearly average having dropped to roughly 13 500. Not only did this decline continue into the early seventies but available evidence suggests that there was a reversal in the direction of migration in the period 1971-1976, when net immigration totalling 11 000 is estimated to have taken place. Table III sets out briefly the trend since 1961.

TABLE III  
Migration (000's)

- denotes net emigration, + denotes net immigration

Period	Number	Annual Average
1961-1966	- 80.6	- 16.1
1966-1971	- 53.9	- 10.8
1971-1976	+ 11.0	+ 2.2

Employment

4. Table IV shows total and sectoral employment for the years 1960, 1970 and 1976 and indicates the changes in employment distribution during the period.

TABLE IV  
Employment (000's)

Sector	1960		1970		1976	
	No	% of Total	No	% of Total	No	% of Total
Agriculture	390	37	283	27	242	23
Industrie of which	248	24	312	30	304	30
- Manufacturing	172	16	213	20	204	20
- Building and construction	57	5	76	7	76	7
Services	417	39	458	43	487	47
Total	1 055	100	1 053	100	1 033	100

Non-agricultural employment increased by 105 000 between 1960 and 1970 but when set against the decline in agricultural employment over the same period, there was, in fact, a marginal decline in total employment. Between 1970 and 1976 non-agricultural employment increased by 21 000 but, again, when account is taken of the fall in agricultural employment over the same period, total employment decreased by 20 000. Sectoral employment developments are considered in the following paragraphs.

#### (I) Agriculture

5. The fall in agricultural employment represents a secular trend which can be regarded as intrinsic to the normal process of economic development: it also reflects the development policy pursued in the period aimed at reducing under-employment in agriculture and increasing productivity by providing increased employment opportunities in the other sectors through productive and infrastructural investment policies. The rate of decline has slackened off since 1970 compared with the experience of the sixties.

#### (II) Industry

6. Total employment in industry increased by 64 000 between 1960 and 1970 but actually fell by 8 000 in the period to 1976. This decline reflects the degree of structural change following on the movement towards free trade when extensive adaptations in the traditional labour-intensive industries took place. The impact of inflationary pressures on cost structures also caused further shedding of labour in the wake of the global recession.

7. In the period 1961 to 1971 employment grew in all branches of the industrial sector. The manufacturing sector provided the main contribution to the increase. The high technology industries, including metals and engineering, paper and printing, chemicals, cement, and miscellaneous manufacturing accounted for almost four-fifths of total employment creation in the manufacturing sector in the period 1960-1973 (i.e. before the impact of the world recession took effect).

8. Building and construction employment increased in the sixties but levelled off in the seventies. A high level of unemployment - up to 25% - exists in the industry. An inherent factor bearing on the level of activity in the industry is the availability of finance through the Public Capital Programme to support infrastructural investment.

### (III) Services

9. While employment in the services sector has been increasing steadily since 1960, this sector has also been subjected to considerable structural change. The main elements of such change were the decline in importance of employment in personal services and the rationalization which took place within the distribution sub-sector. The major growth areas within the services sector have been commerce, insurance, finance and the professional and public sector areas. In the period since 1971, most of the employment increase in the services sector has been in the public sector area.

### Unemployment

10. Table V sets out the unemployment situation since the sixties. Unemployment in Ireland rose from 56 000 or 5% of the labour force in 1961, to 65 000 or 5.8% in 1971. In the wake of the global inflation and recession the numbers officially classified as out of work showed a further dramatic rise from 66 000 or 5.9% of the labour force at mid-April 1973, to 108 000 or 9.4% of the labour force at mid-April 1976. During 1976 and 1977 the numbers registered as unemployed peaked in February of both years at over 118 000.

TABLE V  
Unemployment since 1961 (at mid-April)

1961		1971		1976	
(000's)	% of Labour force	(000's)	% of Labour force	(000's)	% of Labour force
56	5.0	65	5.8	108	9.4

Note: At present, official unemployment statistics do not adequately reflect the full extent of the numbers out of work, as they do not include categories such as school-leavers seeking a first job. An Inter-Departmental Study Group is currently reviewing the adequacy of unemployment statistics and it is expected that the recommendations of the Group when implemented will lead to a more meaningful assessment of the numbers who are genuinely unemployed.

### Growth in GDP and in productivity

11. The deterioration in unemployment reflected the decline in the growth rate of GDP during the seventies as well as the impact of structural change, which diminished the labour share in total output by increasing productivity. GDP and productivity growth at the aggregate level and by main sector are considered in the following paragraphs.

12. The following table shows the growth of GDP as a whole and by sector of origin in the period 1960 to 1976 together with the corresponding increase in productivity.

TABLE VI  
Growth in GDP and productivity by sector 1960/1970/1976

	Product	Productivity	Product	Productivity
	1960/1970	1960/1970	1970/1976	1970/1976
Agriculture	1.0	4.3	3.1	5.9
Industry	6.2	3.8	4.0	4.5
Services	3.3	2.3	3.7	2.7
Total (GDP)	3.8	3.7	3.7	4.0

13. The increase in GDP as a whole averaged almost 4% a year over the entire period 1961/1976. While the average growth rate for the decade to 1970 was significantly higher than that of previous decades, there were significant fluctuations in 1965, 1966 and 1970. Between 1970 and 1976 the rate of increase in GDP averaged 3.7% a year. In the period there was a sharp downward dip in 1974 and negative growth in 1975 as a consequence of recession. Productivity gains in the period outstripped growth in output resulting in a negative employment change in that period (as shown in Table IV). The high productivity growth relative to output could be expected to continue until the growth rate in output is accelerated. Productivity levels are still low compared with those for the other member countries and continued high gains are desirable for the maintenance of competitiveness.

14. Latest available estimates of the level of productivity on which comparisons can be based (1974) show that Ireland compares unfavourably with the smaller Community countries, being less than half that in Belgium, Luxembourg, Denmark and the Netherlands. This situation has shown little change as compared with 1971. There was a slight improvement in comparison with the UK in terms of overall productivity but, in relation to continental Community countries, the gap widened in the case of overall and sectoral productivity.

(i) Agriculture

15. The increase in agricultural product since 1960 has been disappointing. There was little or no growth in the period to 1965 while growth in the five years to 1970 was well below that in industry and services. The outturn for the period from 1970 to 1976 shows that the high expectations for the sector following accession to the European Communities have not been fully realised. Productivity in agriculture rose at a faster rate than in the other two sectors but this performance has basically been a consequence of the decline in employment in the sector.

(ii) Industry

16. Industry was the fastest growing sector in the 1960's and despite the direct impact of the economic recession, it has, since 1970, continued to expand at a faster rate than the agricultural or services sector.

17. Since 1970, productivity in industry grew faster than output, reflecting the decline in employment. The loss of employment was higher than the output performance in the period would appear to warrant. This was especially true of manufacturing industry. The divergence between output and employment trends can be attributed to an acceleration in the rate of productivity increase in the sector. This in turn reflected the pressures of international competitiveness as well as the shedding of labour due to inflation and recession. The divergence between employment and output trends also reflected the high incidence of job losses in the vulnerable labour-intensive firms which were adversely affected by improved access by external competitors to the domestic market.

(iii) Services

18. The medium-term trend growth rate in the product of the services sector had been steadily upwards from 3.3% in the period 1960/1970 to 3.7% in the years 1970 to 1976. Over the entire period, the activities showing the fastest increase in product were Government services, the professions and banking and insurance.

19. The sectoral growth outlined above has led to changes in the sectoral distribution of GDP set out in Table VII.

TABLE VII  
Sectoral distribution of GDP

Sector	Distribution of GDP (%)		
	1960	1970	1976 (estimated)
Agriculture	25.1	16.6	16.9
Industry	29.7	35.3	32.5
Services	45.2	48.1	50.6
Total	100.0	100.0	100.0

20. The developments in employment, output and productivity as outlined, are, of course, closely interrelated with structural developments in investment and external trade. These aspects of demand are considered in the following paragraphs.



## Investment

21. The investment ratio rose from 14% in 1960 to 24% in 1976. The low 1960 level indicates the needs that existed, particularly in the productive and infrastructure areas. The level of the 1976 ratio, though high, is still well short of the target of about 30% regarded as necessary to meet those needs at Ireland's current stage of development. The following table sets out the shares of the productive and infrastructural investment in GNP in 1960 and 1976.

TABLE VIII  
Investment 1960 and 1976

Category	1960 % of GNP	1976 (estimated) % of GNP
Productive - of which	7	13
Manufacturing	2½	5
Agricultural	2	2
Other	2½	6
Infrastructural	4	6

22. Owing to Ireland's low density of population, infrastructural investment needs represent a much heavier burden than in other Community countries, particularly when account is taken of the support necessary from public capital expenditure. Public capital expenditure is the equivalent of about 50% of total investment and induces about a further 25% of that total through incentive and grant schemes. Productive and infrastructural investment needs have, therefore, and will continue to lead to correspondingly heavy demands on public expenditure.

## External trade

### Exports

23. The important contribution of exports to economic development in Ireland is illustrated by the share of merchandise exports in GNP which almost doubled from 23% in 1960 to 41% in 1976. Industrial exports played the principal role, increasing their share of merchandise exports from 45% in 1960 to 63% in 1976. Agricultural exports, though rising from £ 84 million in 1960 to £ 680 million in 1976, actually fell as a share of the total from 55% to 37%. The growth of industrial exports was led by high technology sectors. In 1960 these high technology industry groups (referred to in paragraph 7 on employment in manufacturing industry) accounted for a quarter of total manufactured exports. By 1976 their share had doubled and these exports grew three times as fast as those for the remaining industry groups of the manufacturing sector over the period from 1960.

### Imports

24. The changing structure of the Irish economy is also reflected in the increased penetration of imported goods in the domestic market. In 1960, the value of merchandise imports was equivalent to around 35% of GNP. By 1976 this had risen to 52%. In the same period, the share of imported consumer goods in personal consumer spending increased from 10% to 22%. This trend was also evident to a lesser extent in the other main components of merchandise imports, i.e. materials for further production and producers capital goods, whose respective shares in industrial output and total investment moved from 31% and 30% in 1960 to 37% and 32% in 1976.

### Development of Sectoral Incomes

#### Introduction

25. This section compares the trend in sectoral incomes since 1960 and highlights the factors contributing towards sectoral variations. No account is taken of consumer prices which rose by 4<sup>3</sup>/<sub>4</sub>% a year on average between 1960 and 1970 and by 14% a year on average between 1970 and 1976. When these price trends are taken into account, the real rise in incomes in all sectors was considerably below those outlined below. However, the sectoral comparisons are not invalidated by expressing the figures in current prices.

#### Agricultural Incomes

26. In the 1960's and early 1970's agricultural incomes increased at a slower rate than those in the non-agricultural sector of the economy. Between 1960 and 1972 income in agriculture increased by 7<sup>1</sup>/<sub>2</sub>% a year compared with 11<sup>3</sup>/<sub>4</sub>% for non-agricultural activity reflecting the unfavourable export prices for agricultural products and the limited agricultural export outlets in the period. Since the accession of Ireland to the European Communities in 1973 the relative position of Irish agriculture has improved. While the growth in output has continued to be lower than expected, agricultural incomes have risen at a much faster rate than in the past because of higher farm prices. Between 1972 and 1976 the rise was 17% a year compared with 20<sup>3</sup>/<sub>4</sub>% in the non-agricultural sector.

27. The following table shows the level of income per person employed in agriculture and outside agriculture in 1960, 1972 (year prior to accession to the European Community), 1973 and 1976.

TABLE IX  
Income per person employed

	Income per person employed (£)			
	1960	1972	1973	1976
Agricultural	342	1 185	1 571	2 444
Non-Agricultural	580	1 857	2 251	3 914

28. While agricultural income per head has consistently been lower than in the non-agricultural sector in absolute terms, the growth in income per head in agriculture between 1960 and 1972 has been slightly faster than that in the non-agriculture sector. In the twelve years to 1972, agricultural income per head rose by 11% a year as against  $10\frac{1}{4}\%$  outside agriculture. This development was primarily due to the decline in the number engaged in agriculture (from 390 000 in 1960 to 267 000 in 1972). Since 1972, non-agricultural income per head has grown by  $20\frac{1}{2}\%$  as compared with  $19\frac{3}{4}\%$  in agriculture. This most recent trend reflects the slowing down in the rate of decline in the agricultural labour force.

#### Non-Agricultural Wages, Salaries and Profits

29. Within the non-agricultural sector, employee wages and salaries have been increasing at a faster rate than profits and, as a result, have taken up an increasing share of total non-agricultural income. Between 1960 and 1973 (the last year prior to the international economic recession) non-agricultural wages and salaries increased by almost 13% a year as compared with  $11\frac{3}{4}\%$  for profits and professional earnings. However, between 1973 and 1976 the increase in wages and salaries was  $22\frac{1}{2}\%$  or almost double that for profits and professional earnings. The lower rate of increase of profits over those years reflected the impact of the economic recession and inflation on the profitability of investment.

#### The role of policy in the evolution of the economy

30. In the fifties growth averaged only about 1% a year. The failure to achieve more satisfactory progress and to increase employment was largely attributed to the inadequate industrial base, the lack of entrepreneurial skill, the overall poor level of productivity which inhibited export development and the relatively depressed state of agricultural prices. The result of this economic stagnation was high net emigration rather than increased unemployment. Employment declined by over 1% a year in the period 1951/1961, and emigration averaged over 40 000 (over 1% of the population) a year. The result was a decline in population and a rise in the dependency ratio.

31. Remedial measures were necessarily structural and long-term. Analysis of the problem showed that sustained growth would require increased export capacity which the protected industries then existing were not capable of generating because their scale of operation and production patterns were based on a small protected home market. Consequently they were unable to reach the level of competitiveness necessary for export trade. Although during the depressed years of the 1950's the Government had undertaken measures aimed at improving the industrial base by attracting foreign industry, no attempt was made until 1958 to follow a formal economic development programme. In that year the First Programme for Economic Expansion covering the year 1959-1963 was drawn up, and was followed in later years by a second and third programme.

32. Major elements in the strategy underlying these programmes were

- (i) The progressive abandonment of industrial protection and the adoption of free trade policies.

- (ii) the intensive development of the industrial sector as the main instrument of economic growth generally and of employment growth in particular; this required the rapid expansion of the industrial base which was sought through the provision of industrial incentives for the establishment of new industrial enterprises and action to ensure that by programmes of industrial adaptation existing industry improved its competitive position and export sales.
- (iii) the development of manpower policy, including the provision of training at all levels in industry and commerce and the establishment of a specialized agency, AnCO (the Industrial Training Authority) for this purpose;
- (iv) increased investment, which was a major factor in promoting development; the rapid rise in investment was generated in the main through the Public Capital Programme; this Programme (see Annex 6) is by far the most significant determinant of the volume and composition of investments, thereby acting as a strategic influence of the pattern of future growth in output and employment opportunities in the economy;
- (v) measures to improve agricultural incomes and structures, increase production and improve access to external markets for agricultural exports;
- (vi) the provision of infrastructure in order to remove constraints on economic development and also to meet social needs; in the context of physical planning strategy (see Annex 5) local planning authorities give special attention to the infrastructural needs of industry and, in so doing, maintain close liaison with the Industrial Development Authority.

33. The First Programme covering the period 1959-1963 was mainly concerned with expanding and utilizing public investment to help the expansion of industrial capacity and to improve the overall level of productivity, especially through education and training and by the provision of improved and expanded infrastructure. Greater emphasis was placed on immediately productive elements in the Public Capital Programme which up to that time had been dominated by social and infrastructural expenditure. Incentives in the form of grants and loans were channelled to the private sector with the aim of expanding agricultural and industrial capacity and improving the overall level of productivity. The Second Programme (1963/1967) extended its coverage to the private sector. The Third Programme which covered the period 1969/1972 followed the style of the Second but differed in that it concentrated more on policy areas of strategic importance and marked a broadening of objectives by covering social as well as economic needs.

34. Since the late fifties there has been a marked improvement in economic performance as outlined above. Growth has been accompanied by a steady private capital inflow for investment purposes. This inflow currently represents over one third of the total financing requirement of fixed investment in manufacturing. In common with the experience of other Western economies, economic progress in Ireland was severely affected by the oil crisis and subsequent recession in the first half of the 1970's.

35. The increased vulnerability of the economy as a consequence of export-led growth and high dependence on imports exacerbated difficulties already arising from the structural changes taking place as the economy adapted to

meet the challenge of free trade and full membership of the European Communities. The process of adaptation combined with the effects of recession and inflation resulted in almost 43 000 qualified redundancies in the three years to 1976 and a steep rise in the unemployment rate.

36. Faced with this situation, the Government sought to support employment by boosting demand and public capital expenditure as a counter-cyclical measure and as a result the public sector deficit increased from 6.6% of GNP in 1970/1971 to 11.3% of GNP in 1976. The Government measures combined with an incomes policy designed to maintain competitiveness and to reduce inflation assisted industry to avail of the cyclical upswing in 1976. A further positive factor in this regard was the effect of the devaluation of sterling on exports. All these factors resulted in a resumption of growth in 1976 led by industrial exports, the volume of which increased by 17% in 1976.

37. As indicated previously the development of employment has been less encouraging. The recession and the rapid increase in the labour force resulted in an increase in the rate of unemployment from 5½% of the labour force in April 1974 to 9½% in April 1976. Since then, the rate of unemployment has remained stubbornly high despite the revival in output. To cope with this situation and to provide employment opportunities for the expected growth in the labour force new policy approaches as discussed in the White Paper are being initiated.

#### Manufacturing Sector - Recent developments

##### Output, employment and productivity

38. The major elements in the Government's industrial development strategy have been already set out in paragraph 32 above. The following table outlines the growth in output, employment and productivity in the manufacturing sector between 1970 and 1977.

TABLE X

	Average Annual % change						
	1971	1972	1973	1974	1975	1976	1977
Output	4.1	4.7	12.0	1.4	-6.7	10.6	7.8
Employment	-0.4	0.5	3.0	0.9	-7.0	-0.2	2.8
Productivity	4.5	4.2	8.7	0.5	0.3	10.8	4.9

39. Over the period 1970-1973 the average annual rise of 6.9% in output was at a somewhat faster rate than the rate of 6.1% achieved during the 1960's. Growth of employment in the period 1970-1973 averaged only 1% a year, implying an average annual productivity increase of 5.8% which was considerably higher than the trend figure of 4½% recorded during the decade up to 1973. The 1970-1973 figures, however, include an exceptionally high output increase of 12% in 1973 and it is likely that, but for the recession, a significant increase in employment would have followed in 1974 as a lagged response.

40. The recession led to a sharp downturn in output. Following a moderate rise in 1974, output fell by almost 7% in 1975 while the trend of employment followed a similar pattern, in both direction and magnitude. As a result there was little change in productivity over the two-year period 1974-1975. The recovery in output began in the second half of 1975 and the growth rate in 1976 was exceptionally high at 10.6% while an increase of 7.8% was recorded in 1977. As is normal, there was a lag in the recovery of employment with the pick-up commencing in the second quarter of 1976. While this recovery continued right through the year, the average level of employment in 1976 was marginally below that for 1975. In 1977, however, employment expanded at a faster rate, despite the lower growth in output; over the period 1973-1977 the following was the output/employment/productivity pattern:-

TABLE XI  
Average Annual % change 1973-1977

Output	3.0
Employment	-0.9
Productivity	4.0

Sectoral changes in output and employment

41. The above aggregate analysis, however, masks underlying structural changes which have been taking place as Irish industry (which had developed through the expansion of consumer-oriented industries selling mainly on the heavily protected domestic market) adapted to free trading conditions brought about first under the terms of the Anglo-Irish Free Trade Area Agreement (1965) and then by Ireland's accession to the EEC in 1973. The following table gives the sectoral growth in output and employment since 1970:-

TABLE XII  
Growth in Employment and Output in Manufacturing Industry

	Employ- ment in 1977 '000	Average Annual % Change					
		1970-1973		1973-1975		1975-1977	
		Employment	Output	Employment	Output	Employment	Output
Food	41.1	-0.3	4.8	-1.4	1.7	-0.5	6.1
Drink and Tobacco	10.0	-3.5	7.4	0.8	4.0	0.3	0.7
Textiles	20.2	-3.1	6.0	-8.4	-6.1	2.4	13.8
Clothing and Footwear	15.7	-3.8	1.3	-9.6	-9.1	-5.0	-0.6
Wood/ Furniture	7.3	0.8	2.0	-4.2	-5.3	-3.9	2.1
Paper & Printing	15.4	-0.4	1.3	-0.9	-6.0	-2.2	6.3
Chemicals	9.9	3.7	14.0	1.7	2.0	4.3	24.6
Structural Clay Products, Cement	12.1	9.7°	18.6°	-0.6	-3.3	2.1	2.2
Metals and Engineering	45.6	5.9	7.1	-3.6	-5.3	3.9	11.6
Other Manufacturing	18.8	4.1	9.1	1.1	-8.0	9.4	15.2
Total Manufacturing	196.0	1.1	6.9	-3.1	-2.7	1.3	9.2

° Affected by cement dispute in 1970.

42. The main growth sectors within manufacturing are chemicals, metals and engineering, textiles and "other manufacturing"; all of these sectors have made a strong recovery from the recession in terms of both output and employment. The weaker sectors include clothing and footwear and wood and furniture which suffered, in terms of both output and employment, in the course of the recession and which have been very weak so far in the recovery phase. Moreover, even within the growth sectors, especially in textiles and metals and engineering, there are weaker firms which have been experiencing difficulties, but the poor performance of these firms has been more than offset by the contribution of new firms, of both domestic and foreign origin, promoted by the Industrial Development Authority.

### Redundancies

43. The degree of structural change which has been taking place in existing industry is highlighted by the following figures for notified redundancies in manufacturing industry since 1968.

TABLE XIII  
Notified Redundancies in Manufacturing Industry

<u>1968</u>	1 424	<u>1973</u>	3 434
<u>1969</u>	1 544	<u>1974</u>	5 736
<u>1970</u>	1 785	<u>1975</u>	11 383
<u>1971</u>	4 187	<u>1976</u>	6 818
<u>1972</u>	5 194	<u>1977</u>	6 990

Notes: (i) The sharp rise in redundancies between 1970 and 1971 is partly explained by changes in qualifying conditions for Redundancy Payments.

(ii) The figures in the table do not take account of redundancies which were not notified as qualifying under the terms of the Redundancy Payments Scheme.

44. The table indicates the acceleration in the rate of redundancy in the early 1970's as the effects of the steady reduction in tariffs with the UK began to have a serious impact; this trend was further aggravated from 1973 onwards by the reduction in tariffs with other EEC Member States, the adoption of the common commercial policy and finally by the effects of the recession. While the number of redundancies in the last couple of years has declined compared with the peak figure in 1975, the number is still very high. These redundancies continue to be concentrated in the weaker sectors of Irish industry viz. clothing and footwear, and the traditional labour-intensive sub-sectors of the textiles and metals and engineering industries.

45. The IDA's adaptation and re-equipment grant schemes have helped to finance the re-equipment of industry for free trade conditions. Most of the initial re-equipment has now been completed with the result that the majority of indigenous Irish industry is now technically well-equipped to grow and develop. There still remains, however, a need for further re-structuring of traditional industry as re-equipment is a continuing process in response to changes in technology and economic conditions.

### IDA's New Industry Programme

46. This Programme assists the expansion of existing industries as well as the establishment of new enterprises of both domestic and foreign origin which have made a major contribution to the development of manufacturing industry in recent years. Industries have been encouraged in new product areas and technologies with the resulting output almost entirely for export. This resulted in rapid growth in sectors which previously had grown very slowly and as a result the Irish industrial structure is changing profoundly.



47. The following table shows the number of job approvals by the Industrial Development Authority in recent years.

TABLE XIV  
IDA Job Approvals

<u>1965/1966</u>	6 730	<u>1972/1973</u>	14 139
<u>1966/1967</u>	3 900	<u>1973</u>	20 100
<u>1967/1968</u>	4 557	<u>1974</u>	24 600
<u>1968/1969</u>	11 943	<u>1975</u>	16 500
<u>1969/1970</u>	11 955	<u>1976</u>	18 300
<u>1970/1971</u>	12 046	<u>1977</u>	24 000
<u>1971/1972</u>	8 734	<u>1978 (target)</u>	27 000

48. There has been a sharp increase in the number of IDA job approvals in the 1970's. Even in the course of the recession, job approvals were still high compared with the late 1960's and early 1970's. The target set for 1978 (27 000) is the highest ever and follows on an exceptionally high outturn (24 000) in 1977. It is estimated that approximately 60% of job approvals in any one year are converted into job creation within 5 years. The current high level of job approvals is therefore expected to generate significant employment increases in the immediate years ahead.

49. A study commissioned by the IDA shows that, in 1973, firms (Irish and overseas) qualifying for IDA new industry assistance accounted for 29% of manufacturing jobs, 62% of manufacturing exports and 31% of manufacturing gross output. The sectoral impact can be seen from the following table.

TABLE XV  
New Industry Share of Total Employment, Gross Output and  
Exports in Manufacturing for the year 1973

Industry	New Industry Share of Total Manufacturing		
	Percentage Employment	Percentage Exports	Percentage Gross Output
Food	20.1	55.5	32.3
Textiles	18.8	41.4	23.4
Clothing & Footwear	39.5	84.0	45.8
Wood & Furniture	17.5	42.2	19.8
Paper, Printing	9.7	37.5	12.1
Chemicals	20.7	60.0	32.7
Structural Clay, Cement, Glass	31.3	58.8	21.5
Metals & Engineering	42.5	93.3	41.4
Other Manufacturing	35.6	63.3	24.0
Total Manufacturing	28.7	62.1	30.5

50. It should be noted that the above data for 1973 do not show the full current sectoral impact of IDA-assisted firms since all the projects approved up to 1973 had not come fully on stream and none of the substantial volume of projects approved in the three years 1974/1976 are included. The sectoral job implications of the major projects approved in that period which will be moving towards full production in the period to 1980 are indicated in the following table:

TABLE XVI  
IDA New Industry Programmes

Industry	Job potential in projects <sup>o</sup> approved April 1974-December 1976		Distribution of existing employment 1976
	Number	%	%
Food, drink and tobacco	5 115	13	27
Textiles	6 748	17	10
Clothing & Footwear	1 439	4	8
Wood & Furniture	809	2	4
Paper & printing	921	2	8
Chemicals	5 266	13	5
Glass, structural clay & cement	630	1	6
Metals & engineering	13 868	35	23
Other Manufacturing	4 991	13	9
Total	39 787	100	100

<sup>o</sup> Including overseas small industry and joint ventures.

51. The continued and growing importance of the metal and engineering sector can be seen in the sectoral distribution of job approvals in recent years. Within the metal and engineering sector (13 900 job approvals) the dominant sub-sector since 1974 has been electronics. In "other manufacturing" (5 000 job approvals) plastics and leisure goods were most important. In the chemical sector (5 300 job approvals) the growth sub-sectors were pharmaceuticals and healthcare. In textiles, synthetic fibres and spinning, weaving and fabric finishing predominated, and in the food drink and tobacco sector (5 100 job approvals) processing of meat and dairy products was the major activity.

### Exports

52. Of particular significance is the fact that the greater part of firms in receipt of IDA assistance export a high proportion of their total output. This has been the main factor responsible for the exceptionally high growth of manufacturing exports in recent years: between 1968 and 1973 the volume of manufactured exports grew at an average annual rate of 19%; while this trend was affected by the recession, exports made an exceptionally strong recovery in 1976-1977 (growing at a rate of 20% a year in volume) so that over the full period 1973-1977 they grew at an average annual rate of 10% in volume. In this connection the contribution of existing industry to the growth in exports has also been substantial. Free trade, while leading to a sharp rise

in competing imports and job losses in certain sectors, has also opened up export opportunities and many existing firms have adapted their product lines and modernized their plant to take advantage of these opportunities.

#### Development of the Social Services

53. There has been an increasing commitment by the public authorities to social development. Between 1961 and 1975 there has been a substantial increase in public expenditure on the social services while, in relative terms, the proportion of such expenditure devoted to the social services increased from about 41% in 1961 to 47% in 1975. The period had seen significant developments in the social services both in terms of coverage and the quality of the services.

54. In education, the primary sector experienced an increase in enrolment of about 1% a year in the thirteen years to 1976. This average increase masks an acceleration in the later half of the period. Progress has been made in reducing average pupil/teacher ratios, in cutting down on the maximum size of classes which were often very large in urban areas, and in providing more facilities for handicapped children and those in need of remedial teaching.

55. In second level education, a combination of demographic trends, the raising of the school leaving age to 15 and the abolition of fees has led to a doubling of total enrolments between 1963 and 1974, an annual average increase of over 6%. In both first and second level there has been considerable rationalisation in the use of resources through a reduction in the percentage of the total number of schools accounted for by one and two teacher schools (first level) from 66% in 1963 to 38% in 1976 and the development of comprehensive and community schools (second level) which currently account for a significant proportion (20% to 40%) of new second level places created each year.

56. Enrolments at third level doubled between 1963 and 1976. The main development at this level during the period has been the increased emphasis on non-university technological education, which accounted for 19% of all students in 1976 compared with 4% in 1963.

57. In the health area, the sixties was a period of stocktaking followed by considerable policy changes in the early seventies. The coverage of the service was extended and its quality improved. There was increased emphasis on preventive care, particularly for children, and an increased recognition of the need for special services for the elderly. The administration of the health services was decentralised in 1970 and community care programmes, under the new regional health boards, have led to an expansion of personal social services.

58. In the housing sector, one of the most notable features of the Irish scene is the high rate of owner occupancy which has increased from 60% in 1961 to 71% in 1971. While Local Authority dwellings accounted for an increasing proportion of total dwellings completed between 1961 and 1975 the emphasis has been on selling rather than letting these houses. A system of differential rents, whereby the rent charged to tenants of Local Authority houses varies with their income, was introduced in 1966 and further extended in 1973. Despite an estimated increase of 19% (or 1.5% a year) in the stock of dwellings between 1961 and 1975, there is still a significant degree of overcrowding, although the proportion of private households living in overcrowded conditions declined from an estimated 18% in 1961 to 14% in 1971.

59. There has been considerable expansion and improvement in income maintenance services in the period. For example, between 1966 and 1976 the proportion of the population, including dependents, in respect of whom income maintenance payments were made increased from just under 19% of the population to nearly 30%. In addition to extension of the coverage, improvements in the rates of benefit and the extension of the duration of some short-term schemes such as unemployment payments, new services have been introduced to cater for specific groups which did not come within traditional social welfare categories. These included a scheme of retirement pensions at age 65, and means-tested allowances for deserted wives, unmarried mothers and single women aged 58 and over. Certain benefits in kind were also introduced such as free travel, free electricity and free TV licences for certain welfare categories.

#### Imbalances and adverse structural features

60. Notwithstanding the progress which has been made, there remain the following major imbalances and adverse structural defects in the Irish economy towards which Government policies will continue to address:-

- the rate of unemployment which reached 9½% of the labour force in 1976. This compares with an average for the Community of 4½%.
- heavy social and infrastructural requirements resulting from the acceleration in the rate of growth of the population.
- the implication for job-creation of the increases in the labour force (0.7% a year).
- the high share of GDP (17%) and employment (24%) accounted for by the agricultural sector compared with the rest of the Community.
- the heavy reliance on the manufacturing sector, in particular on foreign, export-oriented firms for increased employment, involving a high level of dependence on foreign investment and openness to external economic fluctuations.
- the extent of the dependence of the industrial sector on imports of raw materials, semi-processed goods and energy supplies and on export markets for the disposal of its output.
- the large proportion of total industrial employment accounted for by the traditional labour-intensive industries. Employment in those industries which were developed in a climate of protection has been severely affected by the moves to freer trade.
- as Irish industry is, for the most part, small in scale, it is not able to benefit from the economies enjoyed by large-scale production units with which it must compete.
- the low levels of overall and sectoral productivity compared with competitor countries.
- while these characteristics are present throughout the country, they vary in their incidence and are, in general, encountered more in the west which, largely for historical reasons, is more disadvantaged than the rest of the country.



## ANNEX 2

### DISPARITIES WITHIN IRELAND

#### Introduction

1. As noted in Annex 1, there are significant disparities within Ireland, but these differ more in their severity than their nature, as all areas display the need and potential for further development. The internal disparities are insignificant in comparison with those between Ireland and the rest of the Community. Accordingly, in the Community context, the central question is the extent to which aid from the Community's Regional Development Fund assists in narrowing the substantial gap between development levels in all parts of Ireland and the more developed parts of the Community.

2. The Government's strategy seeks to secure the balanced development of all regions and thus to stimulate the economy as a whole. Irish regional policy and planning are principally, therefore, the expression at regional level of national development policies. Thus regional policy is "nationwide" rather than confined to selected "backward" areas. In this respect Ireland is different from the more industrialized Member States and is the only State in the Community which has no rich industrialized area from which resources can be transferred to finance regional development in the rest of the country.

3. In the operation of regional policy, however, industrial incentives are differentiated in favour of the designated areas which are largely in the western part of the country (see the Map in Annex 5). The division of the country between designated and non-designated areas does not always follow local government administrative boundaries and this limits the extent to which statistical comparisons can be made between economic and social conditions on either side of this division. In general, economic conditions are more severe in the designated than the non-designated areas and generally accepted indicators of the level of development such as the rate of population change, the emigration rate, the sectoral structure of employment and low incomes all point to this conclusion.

4. There are nine physical planning regions (see the Map attached) established under the Local Government (Planning and Development) Acts, 1963 and 1976, which provide a framework for the coordination of physical planning (see Annex 5) and are also used by the Industrial Development Authority in its industrial development programmes (see Annex 3). Three of these regions are within the designated areas, two are outside while the other four are partly in the designated areas. As these regions cover areas which follow county boundaries (the basic local government unit), some comparisons are presented in the following paragraphs on the basis of the latest statistical material.

Population

5. While there has been a continued and sustained increase in the national population since 1961 there have been, however, considerable differences in experience between the regions.

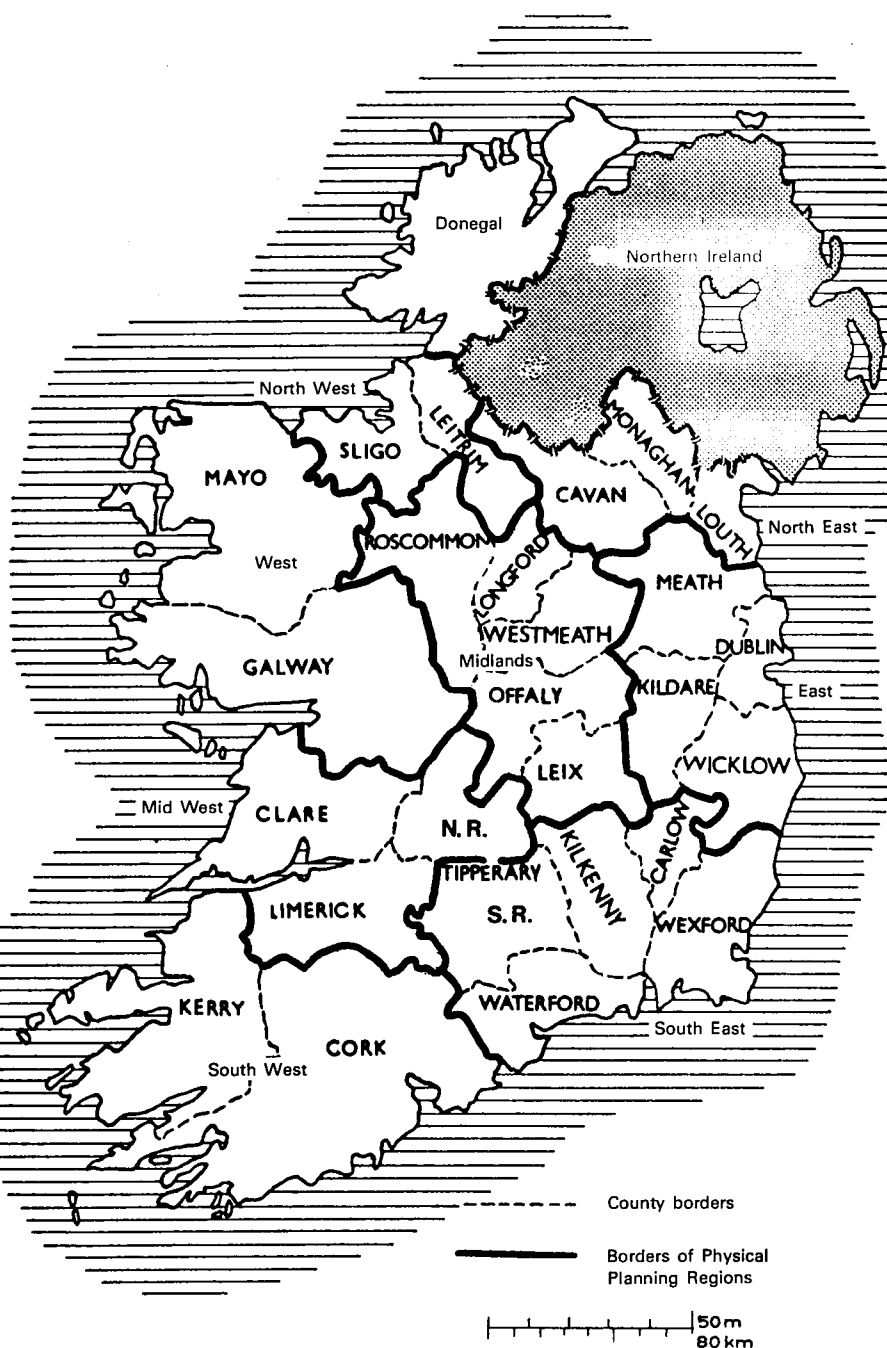
TABLE I

Physical Planning Region	1975 Population° ( '000)	Percentage change in Population			Inhabitants per sq. km. 1975
		1961/ 1966	1966/ 1971	1971/ 1975	
<u>Regions Wholly Designated</u>					
Donegal					
North-West	180.4	-5.2	-1.8	-2.6	22
West	256.4	-3.4	-1.9	-0.4	23
<u>Regions Partly Designated</u>					
Mid-West	283.4	1.6	1.9	5.5	36
Midlands	233.4	-2.0	-0.9	0.6	26
South-West	492.8	1.3	2.9	6.3	41
North-East	175.9	-1.1	2.7	1.6	44
<u>Regions Not Designated</u>					
East	1 134.4	9.1	7.4	7.3	163
South East	345.9	-0.1	2.8	5.5	37
State	3 102.5	2.3	3.3	4.6	45

° Source: 1975 Labour Force Survey.



# PHYSICAL PLANNING REGIONS



6. The population of the East region has continued to increase since 1926, but after 1961 the population increased also in the Mid-West and South-West regions, in the South-East and North-East regions after 1966 and in the Midlands after 1971. By 1975 the West and North-West/Donegal regions were the only ones characterised by population decline but this was at a reduced rate of decline.

7. The changes in the population of each region represent the net result after the natural increase and net emigration influences have been allowed for. There are very large differences in the behaviour of these two variables in the regions. The East region in 1971 had by far the highest rate of natural increase in the country (14.2 compared to the national average of 10.1) and it was the only region (see Table II) with a positive migration flow. The rate of natural increase in the other regions was very much below that of the East (varying from 8-10 per 1 000 of average population for the four partly designated regions and the South-East to as low as 1.8 in the North-West) while the rate of net migration outwards was very much more.

8. Dependency ratios i.e. the proportion of the population which is in the economically inactive age groups i.e. age 0-14 (young dependency) and 65 and over (old dependency) are unusually high in Ireland by Community standards. This is generally attributed to the very high rates of emigration in the past and the high rate of fertility of marriage.

9. While there is little variation in total dependency ratios among the regions there is, however, considerable variations in the components of this total, and in particular in the rate of old dependency. The East region has the lowest proportion of old people (7.6%) being well below the national average (10.8%). At the other extreme are the North West/Donegal/West regions with an extremely high old dependency ratio (over 14%). In between, the South-East, North-East, Midlands and South-West are slightly above the national average while the Mid-West region is slightly below the national average.

### Migration

10. Annex 1 referred to the significant decline in the rate of emigration in the 1960's (compared to the 1950's) and to its replacement in the five year period to 1976 by net immigration. A contributory factor to this development may have been the emergence of unfavourable conditions in the labour market situation in other countries. Emigration from particular areas, and in particular age groups, may have continued, however, coupled with internal migration. While comprehensive statistics for subsequent years are not yet available, there are indications that net emigration has now resumed.

11. Net migration outwards from the designated areas has consistently been higher than elsewhere and in the most recent intercensal periods the highest rates of migration outwards were recorded in the designated areas. However, these rates declined in all regions in the most recent period. The East region was the only region to record a net increase in population on the basis of migration flows within Ireland.

TABLE II

Physical Planning Region	Migration outwards, average annual rate per 1000 of population	
	1961-1966	1966-1971
<u>Designated areas</u>		
Donegal	15.0	6.3
North-West	15.1	9.7
West	13.5	9.8
<u>Areas partly designated</u>		
Mid-West	6.0	5.2
Midlands	12.6	9.8
South-West	5.7	2.6
North-East	10.7	3.7
<u>Areas not designated</u>		
East	+ 2.7°	+ 0.1°
South-East	9.8	4.1
State	5.7	3.7

° The plus sign denotes net immigration.

### Sectoral Structure of the Labour Force

12. The low degree of economic development in all regions by Community standards, is reflected in the sectoral structure of the labour force with the data for the designated areas reflecting this underdevelopment to a greater degree than that for other areas.

TABLE III

Physical Planning Region	Percentage of total at work in 1975 engaged in		
	Agriculture forestry and fishing	Industry	Services
<u>Regions Wholly Designated</u>			
Donegal			
North-West	37.5	22.6	39.9
West	49.2	19.1	31.8
<u>Regions Partly Designated</u>			
Mid-West	25.7	31.4	42.9
Midlands	36.1	27.2	36.7
South-West	26.2	33.5	40.3
North-East	34.6	33.2	32.2
<u>Regions Not Designated</u>			
East	4.8	35.1	60.1
South-East	27.9	31.4	40.7
State	22.0	31.4	46.6

13. Despite continuing outflows from agriculture, there is still a very high degree of dependence on this sector for employment. This is particularly striking in the designated areas especially in the West region where almost half the labour force is employed in the agriculture sector. The East region is an exception but only because of the influence of the capital, Dublin, a major centre of services and to a lesser extent industrial employment as the rest of the region is heavily dependent on agriculture.

#### Employment

14. The following table shows that the percentage change in the number employed in the main sectors of economic activity over the period 1971/1975 varied greatly from region to region.

TABLE IV

Physical Planning Region	% Change in No. of Persons at Work 1971/1975			
	Agriculture	Industry	Services	Total
<u>Regions Wholly Designated</u>				
Donegal				
North-West	-27.1	- 5.8	8.0	-11.0
West	- 9.2	9.3	-4.5	- 4.7
<u>Regions Partly Designated</u>				
Mid-West	-28.0	10.2	9.0	- 3.4
Midlands	-21.2	9.5	3.7	- 5.7
South-West	- 9.4	12.3	0.5	1.2
North-East	0.5	- 5.6	-9.6	- 4.9
<u>Regions Not Designated</u>				
East	-21.1	- 6.7	9.2	1.3
South-East	-15.2	13.4	7.0	1.3
State	-16.0	1.3	5.6	- 1.3

15. The principal losses in industrial employment occurred in the East, North-West/Donegal and the North-East regions. All other regions however showed increases in the numbers employed in the industrial sector so that the period saw an overall increase of 1.3% in the numbers engaged in industrial employment. There were also significant decreases in service employment in the North-East and the West regions but all other regions recorded continuing increases though service-type employment continued to be concentrated in the East region. The East region's share of total employment has continued to increase.

#### Unemployment

16. The unemployment rates are given below for each region for the years 1971 and 1975. The rates have been calculated by taking the average total number on the Live Register of Unemployment during the year and expressing this as a percentage of the labour force as given by the Census (1971) and Labour Force Survey (1975).

TABLE V

Physical Planning Region	Unemployment Rate % <sup>1</sup>		% Increase	% increase in numbers on the Live Register 1975/1977
	1971	1975	1971/1975	
<u>Regions Designated</u>				
Donegal				
North-West	10.8	16.6	53.7	1.2
West	7.6	11.5	51.3	2.4
<u>Regions Partly Designated</u>				
Mid-West	5.7	10.0	75.4	4.7
Midlands	5.0	7.1	42.0	7.5
South-West	5.1	7.8	52.9	4.0
North-East	5.5	10.1	83.6	- 4.3 <sup>2</sup>
<u>Regions Not Designated</u>				
East	4.8	8.9	85.4	9.4
South-East	4.8	7.3	52.1	16.4
State	5.6	9.3	66.1	6.3

<sup>1</sup> It should be noted that the figures for each year are not strictly comparable because of changes in the rules governing unemployment registration and also because the 1975 figures are based on Labour Force Survey estimates.

<sup>2</sup> denotes a decrease in the numbers of the Live Register.

17. In 1971 the unemployment rate was particularly high in the Donegal/North-West, West and North-East regions but there was no clear pattern between unemployment rates in the designated areas and elsewhere. This may have been due to persistent emigration which had reduced the extent to which unemployment rates in all regions, and particularly in the designated areas, were then a measure of labour surplus. For all regions, the rate was significantly higher than the then Community average rate of 2.1%. The recession which followed led to a dramatic rise in unemployment in all regions, hitting the East Region (which is centred on Dublin with its wider and older industrial base) hardest of all. Apart from the East and Mid-West regions, there was again no clear pattern distinguishing between the designated areas and elsewhere.

18. The data in the final column of Table V, being different in source and basis of compilation, are not comparable with the data in the other columns but they do, nevertheless, give an indication of the up-to-date position on unemployment by regions since 1975. While the numbers have continued to increase, the increase has been at a slower rate in all regions (apart from the South-East) while there was a decrease in the North-East region.

## Incomes

19. The following table shows, as could be expected from the data already presented, that the relatively most prosperous areas in terms of personal incomes are in the southern and eastern parts of the country.

TABLE VI

Physical Planning Region	Personal Incomes per capita 1973		Percentage Increases (at 1969 constant prices)			
	£ (at 1973 prices)	% of National average	1960/ 1965	1965/ 1969	1969/ 1973	1960/ 1973
<u>Regions Designated</u>						
Donegal	607	76	17.4	21.4	36.5	94.5
North-West	633	79	17.3	22.0	37.9	97.3
West	655	82	19.7	19.0	40.8	100.4
<u>Regions Partly Designated</u>						
Mid-West	797	95	21.0	1.5	57.8	93.8
Midlands	661	83	14.0	20.2	39.0	90.5
South-West	786	98	20.1	20.2	32.5	91.3
North-East	725	91	21.8	27.5	27.3	97.7
<u>Regions Not Designated</u>						
East	932	117	20.1	21.1	23.4	79.4
South-East	726	95	26.3	12.1	36.3	93.1
State	799	100	20.5	21.5	30.5	91.1

20. In the early 1960's incomes in the richer regions tended to increase more quickly than in the poorer areas but in the latter half of the decade the increases tended to be at about the same rate. In the period 1969/1973 income increases were higher in the poorer regions, reflecting, inter alia, higher cattle prices in 1973 although the authors of the study from which the figures have been taken do not associate this directly with EEC membership as cattle prices fell dramatically in the following year. Despite these changes, however, considerable disparities in income remain and the ranking of regions, in terms of incomes per head, has remained unchanged over the period 1960/1973. Finally, the data for 1973 cannot, of course, be taken as giving an accurate picture of the relationship between incomes in the different regions at the present time. It is to be noted that the maximum disparity between regions in Ireland is much less than the disparity of about 100 per cent between Ireland and the average of the Community as a whole (including all the least developed regions).

## Agriculture

21. The influence of the factors contributing to the low level of output in Irish agriculture (see paragraph 4.12 of the White Paper) is not uniform throughout the country which is in part due to variations in underlying physical conditions. Physically speaking, Ireland consists of a broad central plain with a discontinuous rim of hills occupying most coastal regions. Uplands are predominant along the western seaboard which is extremely indented. Extending eastward from the western upland, the land improves gradually, intermixed to more productive soils which form a belt along the east and south coasts.

22. While the problems of small farms and low incomes exist to a greater or lesser degree over the whole of rural Ireland, they are most acute in the west. The Western Area (comprising 11 full counties and parts of two other counties) which accounts for over half of the agricultural area of the State is included in its entirety on the Community List of less favoured areas under EEC Directive No. 75/168 and is also a separate area for comparable income purposes under EEC Directive No. 72/159. Parts of the Eastern Area are also included on the Community List but, for comparable income purposes, this area is subdivided as between the Dublin area and the rest of the Eastern Area.

23. The location of the three areas concerned is given on the Map attached and their geographical size is set out in the following table.

TABLE VII

Agricultural Areas showing proportion included in the Community List of less favoured areas under EEC Directive No. 75/268

	Total area (000 acres)	% included in the Community List
Western Area	8 718	100.0
Eastern Area (less Dublin)	8 078	6.2
Dublin Area	228	4.4
State	17 024	54.1

24. An aspect of the physical disparity between agricultural areas is the virtual absence of tillage in the Western Area (only 2.3% of the land area there is devoted to tillage) while its relatively greater importance in the east is mainly a function of the availability of better soils.

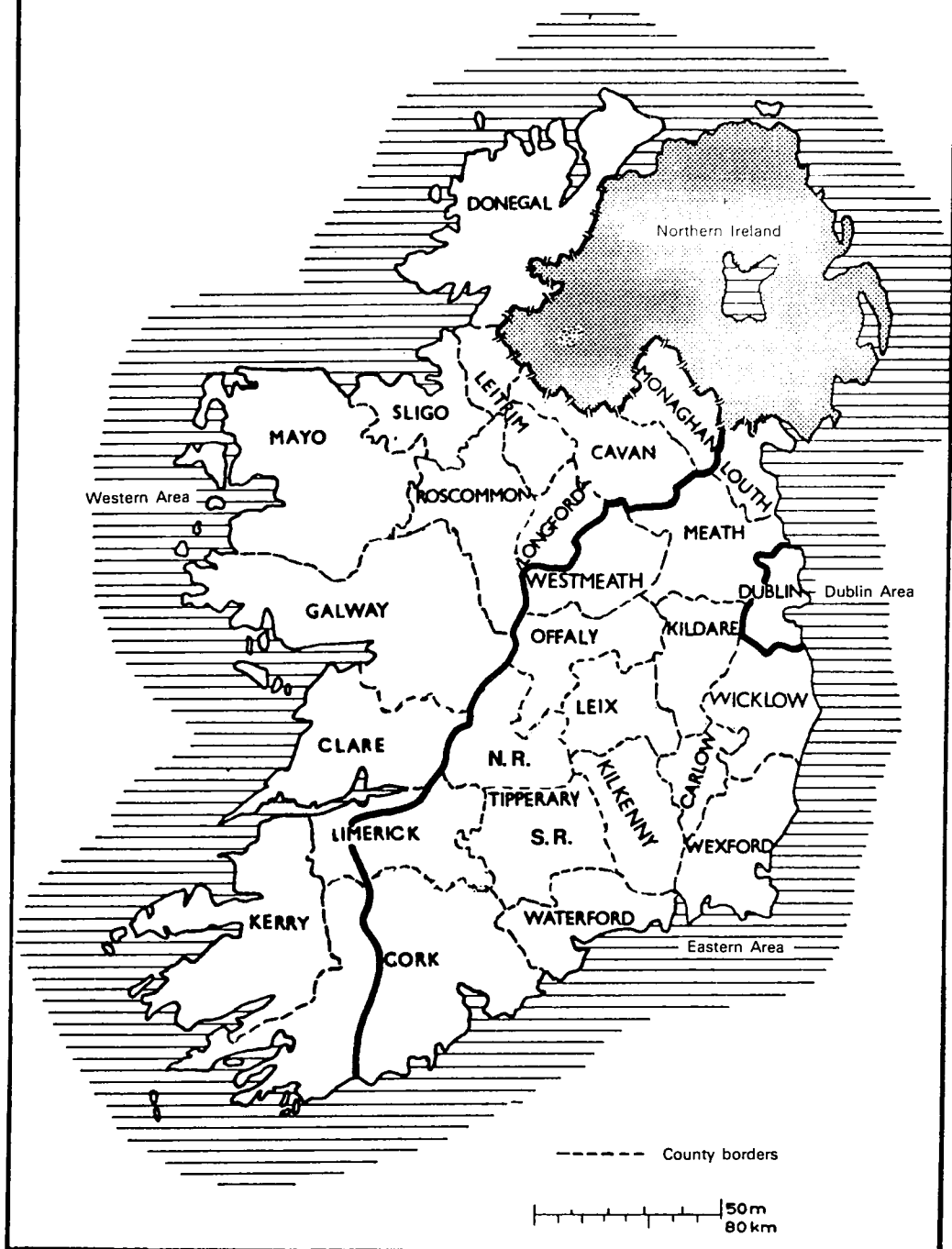
25. The available evidence suggests that while output has been increasing steadily in absolute terms in the Western Area over recent years, the rate of increase has, however, been lower than in the east. The operation of EEC Directive No. 75/268 in the Western Area is, therefore, essential if the disparity in rates of agricultural growth are not to widen further. An adequate



infrastructure in the less favoured areas and the improvement of the land through drainage have an important role to play in the development of these areas. This has been recognised by the Community, see in particular Annex 4, paragraph 44. Moreover, it is the Commission's intention to submit proposals for common measures to improve the structural situation of agriculture in the West; these proposals will, it is envisaged, incorporate measures to improve infrastructural facilities.

26. The relative pressure of population on land resources is greatest in the Western Area and this is exemplified by the fact that almost half the farm work force is concentrated there although the area produces only about one-third of the country's agricultural output. This is related to the emphasis on dry cattle production there, although having regard to soil conditions and the prevailing size of farms, this is not the farming system which would generate the largest number of viable farms.

## AGRICULTURAL AREAS



27. While the farm-size situation in the eastern areas is somewhat better, a substantial proportion of holdings in all areas is below optimum size. Similarly, while farmers in the east are younger on average than their counterparts in the west, the differences are not great. Indeed, very few farmers in all parts of the country are in the younger and more enterprising age groups. For example, the proportion of farmers in the age group 55 and over in the Western area, Eastern area and Dublin area were 53.4%, 48.1% and 48.2% respectively in 1971.

TABLE VIII  
Percentage Distribution of Land Holdings (over 5 acres)  
by Size and Agricultural Area in 1975

	Number of holdings over 5 acres	Farm Size (acres)				Total
		5 to 30	30 to 50	50 to 100	Over 100	
Western Area	141 329	50.0	25.4	18.4	6.2	100.0
Eastern Area (excluding Dublin)	103 689	29.6	21.1	29.2	20.1	100.0
Dublin Area	2 580	51.4°	15.3	16.8	16.5	100.0
State	247 598	41.5	23.5	22.9	12.1	100.0

° The high proportion of five to thirty acre farms in the Dublin area is mainly due to the considerable horticultural activity in this area.

28. Finally, the low overall numbers of participants under EEC Directive No. 72/159 in the "development" and "commercial" categories and the preponderance of "other" farmers, particularly in the Western Area, is a further reflection of the underlying structural problems facing Irish agriculture.

TABLE IX

% distribution of participants in the Farm Modernization Scheme (EEC Directive No. 72/159) by Category and Agricultural Area during the period 1974/1977

	Category				Total
	Development	Commercial	Other (under age 55)	Other (under age 55)	
Western Area	7.0	0.7	78.2	14.1	100
Eastern Area (excluding Dublin)	27.5	7.9	56.7	7.9	100
Dublin Area	5.5	22.9	62.0	9.6	100
State	16.5	4.1	68.2	11.2	100

#### Gaeltacht Areas

29. The Gaeltacht (Irish Speaking Areas), as defined by Gaeltacht Areas Orders made by the Government, comprises less than 6% of the land surface of Ireland. It is not a homogeneous unit but comprises widely scattered districts in certain counties along the Western seaboard (Donegal, Mayo, Galway, Kerry), Cork, a district (Ring) in County Waterford and two small colonies in County Meath. The population of the Gaeltacht is in or around 70 000 persons. All of the Gaeltacht is within the designated areas and generally at the extreme periphery of those areas. It suffers to a more serious degree from the economic problems faced in most non-Gaeltacht designated areas.

30. An extremely high percentage of the population (much more so than in the State as a whole) is engaged in agriculture. Almost 80% of the total area of the Gaeltacht is classified as "other land" viz. mountain, bog and marshland. Land congestion is severe in all but a few areas. The size of farms is significantly less than in the rest of the State, as is the number of "agricultural" acres i.e. crops and pasture per person engaged in agriculture. The pattern of farming activities varies widely and the problems of under-development cannot be solved by agriculture alone. In most cases there is some form of additional income from such sources as fishing, social welfare benefits, tourism earnings, emigrants' remittances and seasonal employment with public bodies etc.

31. Employment in industry had been very low but industrialization policies are now taking effect. Employment in industries assisted by Gaeltarra Éireann (a special State Board for the Gaeltacht) is steadily increasing and the aim is to achieve full employment for Irish speakers in the Gaeltacht as soon as possible in the eighties. Infrastructural facilities are lacking in many areas and need to be provided in order to improve living conditions and encourage industrial development.

### ANNEX 3

## INDUSTRIAL DEVELOPMENT AUTHORITY'S

### "INDUSTRIAL PLAN 1977-1980"

#### SUMMARY

##### Targets

1. The Plan, which replaces the IDA's Regional Industrial Plans 1973-1977, sets, on the basis of present policies, a target of 47 000 new grant-aided manufacturing jobs and 2 500 service jobs for the period 1977-1980. Taking account of expected redundancies of 7 000 and the outturn in 1977, achievement of the target will call for an average annual increase of over 10 000 jobs per annum over the next three years. This is consistent with the estimate of the potential of the manufacturing sector, under existing policies, as set out in the Government's White Paper.
2. New policy measures to bridge the gap between the annual average target of 10 000 and that of the Government's White Paper Target of 13 000 will be dealt with in the Government's Green/White Paper planning documents later this year. Any extra measures involving the IDA will be incorporated in a revised IDA Plan to be published at the end of 1978.
3. Allowing for time-lags between project approval and full production and for some approved projects not going ahead, the IDA target for job creation entails an annual average job approval of 25 000 which is well above that achieved by the IDA in the past, even in the boom 1970-1973 period.

##### Economic Preconditions

4. To realise the IDA target, the level of economic growth at home and abroad will be critical, both in stimulating new investment initiatives and in providing an expanding market for the products produced. Another important factor will be the level and structure of Irish taxation which affects the investment climate and in turn the prospects for achieving the job targets. Although over half of new job commitments are expected to come from domestic sources, the IDA's programme for attracting industry from abroad is an essential feature of its development strategy.

5. Consequently, and in view of intense competition for internationally mobile investment, the Plan points out that the incentive package offered in Ireland must be competitive with that available in other European countries and suggests that an effective coordination by the EEC of incentives in the interests of the least developed areas such as Ireland would be welcome. It also says that the package must include a range of incentive tools, allow for flexible administration to accommodate individual project requirements and be secure, as uncertainty about the continuity of incentives could have adverse implications for the investment and employment targets set out in the Plan.

#### Promotional Programmes

6. The programmes operated by the IDA and their contribution to realising the job targets are as follows:

Prime job creation programme (target of 80 000 job approvals): the bulk of the new jobs will come from new and expansion-type investment in medium and large industries;

Enterprise and Innovation programmes (target of 18 000 job approvals): these programmes are principally directed at the longer term development of Irish industry which will bear fruit in the 1980's when projects commencing now can be expected to mature and expand;

Job maintenance and rescue programmes (target of 3 000 job approvals): these programmes are concerned with the re-equipment and restructuring of traditional industries and with existing firms in short-term difficulties including arranging for take-over or replacement industries where necessary.

7. The initiatives to support the above programmes include a nationwide programme of special clusters of factories for small industries, the new Enterprise Development Programme launched in January 1978, a major marketing campaign in Joint Ventures and a planned approach to the development of selected sectors and sub-sectors of industry with good potential for growth. In addition, a number of urgent studies in support of the strategy outlined in the Plan are currently underway. These include a survey of the development potential of industrial cooperatives, an evaluation of the Small Industry Programme and a study of the Re-equipment Grants Scheme.

#### Sectoral policy

8. The main components of the IDA's sectoral strategy as outlined in the Plan are as follows:

Re-structuring of established industries: it is estimated that about 80% of the re-equipment of industry for free trade conditions had been approved for grant aid by 1977; the remainder will take place over the period up to 1980, principally in the food, drink and tobacco sector. The role of the IDA in facilitating this investment is under review as part of the study mentioned in the preceeding paragraph.

Development of natural resource-based industries: a total sector approach to development will be encouraged providing not only for increased employment but also to ensure maximum benefit from increasing the value added to those resources in Ireland; the IDA is currently undertaking a number of studies of natural resources (dairy, fish and timber processing as well as a zinc smelter) in order to guide future policy in this area;

Development of selected growth and strategic sub-sectors: the principal sectors for which projects will be sought include electronics and computers, mechanical engineering, selected areas of the textile industry, consumer products (including sports and leisure equipment), healthcare products and industrial support industries. A development strategy for the textile industry, which in terms of relative employment provided is the second highest percentage in the Community, is due for completion this year.

Encouraging integration within sectors: the IDA's programmes will be strengthened to identify opportunities and to help Irish firms and entrepreneurs to exploit them; such opportunities are expected to increase as the industrial structure expands and additional industries are established.

### Regional Industrial Policy

9. The Plan given details of the progress achieved in meeting the targets set out in the IDA's 1973 Regional Industrial Plans which can be summarized as follows:

#### Regional job targets and outcome 1973-1976

Region	Net target 1973-1976	Net change 1973-1976	% of net target achieved 1973-1976
<u>Regions Wholly Designated</u>			
Donegal	1 600	+ 200	13
North-West	1 040	+ 650	63
West	3 360	+ 3 300	98
<u>Regions Partly Designated</u>			
Mid-West	3 040	+ 600	20
Midlands	2 240	+ 2 350	105
South-West	5 600	+ 500	9
North-East	2 720	- 1 350	-
<u>Regions Not Designated</u>			
East	8 240	-11 800	-
South-East	2 560	+ 1 850	72
State	30 400	- 3 700	-

10. As will be seen from the above, there has been a net loss of jobs in the period 1973/1976 compared with a targeted net gain of 30 400. The regional distribution of this change is particularly significant with a loss of 13 000 in the East and North East regions combined and a gain of 9 400 in the rest of the State. While a high proportion of the gross target (i.e. excluding job losses) envisaged for the five years was achieved in the first four years of the period in all regions except Donegal, job losses in all regions were much higher than expected, principally as a result of the recession.

11. The heavy concentration of job losses in the East and North East regions reflects the effects of the recession on traditional industry as well as a relatively low level of job gains in these regions. A most encouraging feature was the performance of three (North West, West and Midlands) of the four less developed regions. These regions achieved or exceeded their gross targets and suffered less severely in relative terms from the recession due to their small traditional industry base. There are several constraints in developing industry in Donegal including its apparent remoteness and its border location.

12. The 1977-1980 Plan establishes regional and sub-regional targets in respect of the national target of 47 000 new grant-aided manufacturing jobs but a regional allocation of the 2 500 service jobs is not made due to the relatively small scale of this programme. In addition, estimates are made of employment changes in other manufacturing employment and the results are summarized in the following table.



Targets and estimated net increases in manufacturing employment

Region	Target for new grant-aided employment	Estimated net change in other manufacturing employment	Estimated net increase in total manufacturing employment	Estimated net increase (%) in manufacturing employment 1977/1980
<u>Regions Wholly Designated</u>				
Donegal	3 000	- 300	+ 2 700	49
North-West	1 600	- 100	+ 1 500	39
West	4 400	- 400	+ 4 000	34
<u>Regions Partly Designated</u>				
Mid-West	4 300	- 500	+ 3 800	20
Midlands	3 800	- 300	+ 3 500	31
South-West	7 500	-1 000	+ 6 500	19
North-East	4 000	- 700	+ 3 300	20
<u>Regions Not Designated</u>				
East	13 500	-3 000	+10 500	11
South-East	4 900	- 700	+ 4 200	17
State	47 000	-7 000	+40 000	18

13. It will be noted from the above table that the estimated increase in employment in each of the four less developed regions is in excess of 30% with Donegal receiving the highest increase to compensate for its poorer performance in the period 1973-1976. The estimated net increase for the East region is 11% while the remaining four regions fall into the range of increases between that of the East region and the four less developed regions with increases of 17-20%.

14. The above targets take account of such factors as:

- the Government's 1972 regional goals which provide for the reduction of regional disparities, balanced regional development, minimisation of population dislocation and control of Dublin's growth to be consistent with the natural increase in its population;
- the Government's plans for the physical location of industry as set out in paragraph 4.7 of the White Paper;
- the industrial potential of each region arising from existing industry, availability of natural resources and infrastructure facilities such as serviced industrial sites, advance factories, water supplies etc.

- regional employment needs arising from population growth, changes in participation rates, losses in agricultural employment and the need to reduce unemployment levels.

15. The Plan provides a breakdown of the job targets to town group level, the general infrastructure position (including deficiencies) in each region and details of measures which will be taken to ensure that the targets will be achieved.

16. The locations for the IDA third advance factory programme, which commenced in 1977, are set out in the map attached.

### Financial Resources

17. Achievement of the targets will call for a fixed asset investment of £ 1 210 million in grant-aided manufacturing industry of which £ 310 million will be required by way of IDA capital grants. The phasing of this grant expenditure is expected to be £ 62.5 million in 1977, £ 73.5 million in 1978, £ 81.5 million in 1979 and £ 92.0 million in 1980 but the precise amount will be determined each year as part of the PCP. The balance of the funds will come from shareholders' funds and foreign and domestic banks which are expected to make a greater contribution to industrial development than in the past.

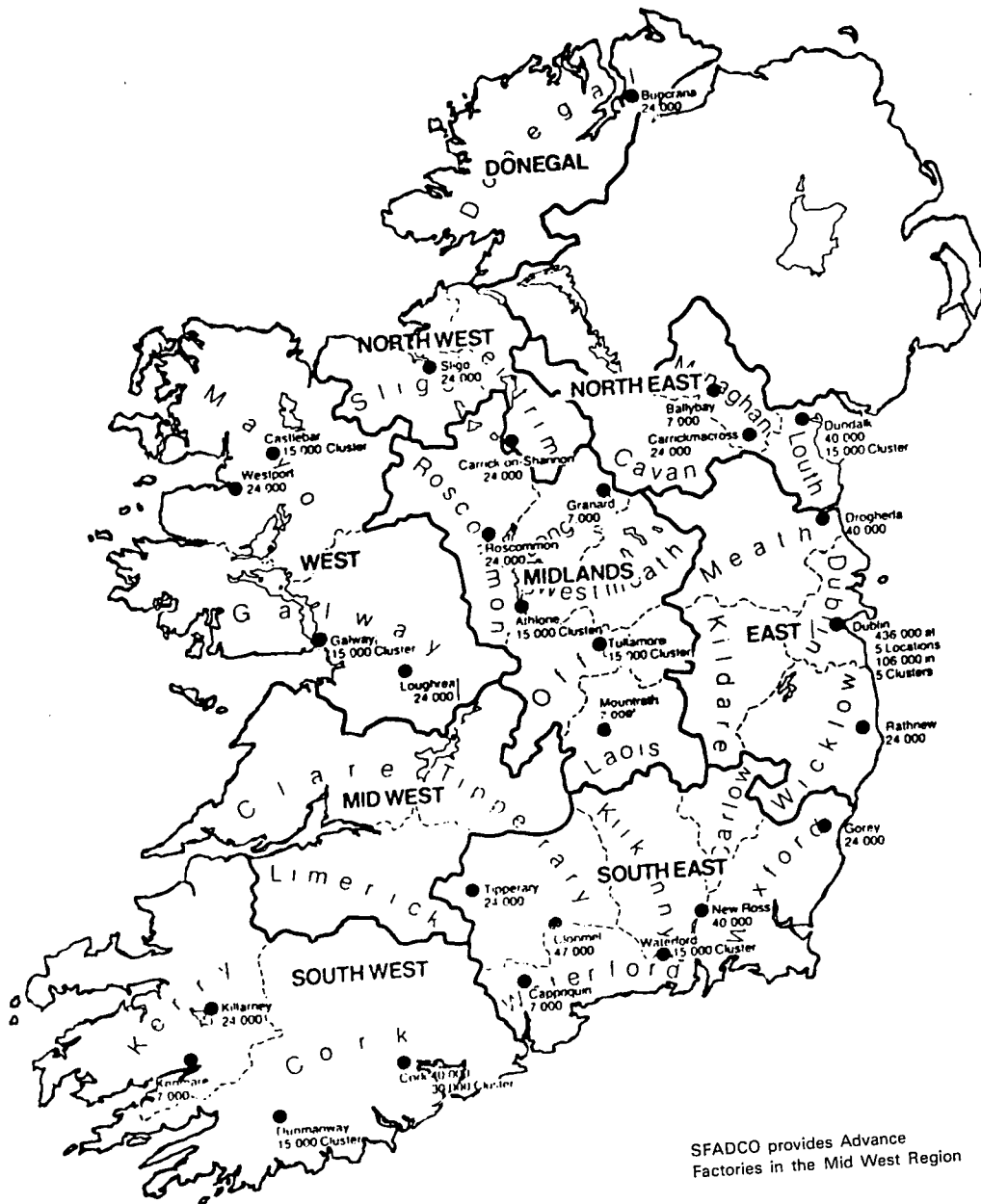
### Implementation

18. The principal State Departments and Agencies whose cooperation and assistance are needed to meet the targets are listed. Improvements in infrastructure are listed as well as the importance of an adequate supply of skilled labour. The IDA maintains close liaison with AnCO (the Industrial Training Authority) on the training needs of grant-aided industry and provides details of the skill needs of projects. Up to end-1976, the IDA has claimed £ 11.4 million from the Community's Social Fund as partial reimbursement of its expenditure on training grants.

19. The IDA will monitor progress towards achieving the targets and will take corrective action as required. The Plan will be integrated with the Government's planning cycle and it will be revised by the end of 1978.

## LOCATIONS FOR IDA ADVANCE FACTORIES

(The figures refer to floor area of factories in square feet)



SFADCO provides Advance Factories in the Mid West Region



## ANNEX 4

### INFRASTRUCTURE NEEDS

#### Introduction

1. The improvement of infrastructure is linked with attainment of the Government's economic and social objectives and, in particular, with their development strategy which, because of Ireland's particular circumstances, is aimed at securing the balanced development of all parts of the country and thereby stimulating the economy as a whole. For this purpose, it is essential that adequate infrastructure be provided.

2. The unprecedented and sustained increases in the national population since 1961, which has been accompanied by increased urbanization, has imposed considerable strains on the country's infrastructure. Up to now it has been possible to respond, in certain areas, by the use of spare capacities but in general it has not been possible, due to shortages of capital, to satisfy existing needs let alone make provision for anticipated future needs. Clearly, these needs will be substantial in view of the country's growing population, most of which will have to be accommodated in urban areas.

3. As explained in paragraph 3.22 of the White Paper, the public sector will continue to play a major role by the provision, inter alia, of direct infrastructural investment to encourage and support the growth sought in the industrial, agricultural and services sectors. The Government's intentions with regard to major infrastructural investments over the period of the Programme are set out in Section 5 while the present Annex provides some additional information.

4. The urban base in Ireland is exceptionally weak - only Dublin, Cork, Limerick and Waterford and four other towns (Dun Laoghaire, Galway, Drogheda and Dundalk) had a population exceeding 20 000 at the 1971 Census of Population. Moreover, there were only nine further towns with populations exceeding 10 000 in 1971. The north-west part of the country, generally possesses the weakest urban structure. Thus, while industrialisation in other countries generally takes place in large industrial areas and centres, Irish development policy, which is aimed at strengthening the urban base by building up centres to attract worthwhile industries, must provide costly infrastructure facilities for a widely dispersed population in areas which, up to now in certain cases, have had little or no industrial development.

5. The Government's public expenditure priorities are described in paragraph 8.4 of the White Paper. While decisions on the allocation of resources to particular expenditure programmes clearly must take cognisance of the medium-term implications of these decisions, definitive financial

commitments are not given for more than one year ahead. The statements which follow, from paragraph 9 onwards, must, therefore, be taken as a statement of the main infrastructural needs and they do not imply an automatic commitment of resources beyond those made for the current budget period.

6. The contribution of the ERDF to industrial and infrastructural investment in Ireland is expressed largely through the Public Capital Programme (PCP) (see Annex 6). Certain works such as the Gaeltacht improvement schemes are, for budgetary reasons, financed outside the PCP but are eligible for assistance from the ERDF. The following table sets out expenditure on these and PCP headings for the period 1973-1977 and the provisions for 1978.

EXPENDITURE BY PUBLIC AUTHORITIES IN IRELAND ON INVESTMENTS DESIGNED TO PROMOTE ECONOMIC AND SOCIAL DEVELOPMENTS

1973/1974 - 1978<sup>1</sup>

£ million

	(1) 1973/1974	(2) April-December 1974	(3) 1975	(4) 1976	(5) 1977	(6) 1978 (Estimate)
<u>PUBLIC CAPITAL PROGRAMME</u>						
<u>Building and Construction</u>						
(a) Sanitary and Environmental Services	16.4	14.1	21.9	28.7	30.1	39.6
(b) Industrial Housing	2.5	3.5	4.1	3.8	1.7	1.6
(c) Other	101.0	97.6	155.8	151.7	162.9	225.0
Road improvement works	14.1	11.5	13.8	11.6	18.8	22.7
Ports, Harbours and Airports	3.2	2.6	3.7	3.0	4.4	9.4
Tourism	1.3	1.1	1.4	2.3	2.8	2.9
Energy	34.2	30.2	42.9	50.0	70.7	79.9
Telephones	24.0	23.0	47.2	48.0	50.5	61.0
Transport	12.7	10.4	16.0	28.0	27.0	29.4
Industry	32.8	27.6	64.5	93.3	120.2	110.3
Loan Finance for Industry	15.8	20.1	24.4	29.0	37.3	41.1
Other development expenditure <sup>2</sup>	63.9	47.8	74.6	98.1	132.1	142.7
Sub-Total for Public Capital Programme	321.9	289.5	470.3	547.5	658.5	765.6
<u>OTHER EXPENDITURE<sup>3</sup></u>						
Gaeltacht improvement schemes <sup>4</sup>	0.6	0.9	1.0	1.3	1.1	1.2
TOTAL:	322.5	290.4	471.3	548.8	659.6	766.8

footnotes see page 102.

- <sup>1</sup> The financial year was changed from 1 April - 31 March to a calendar year basis effective from 1 January, 1975. The expenditure figures in Column (2) are, therefore, based on the nine-month transitional period 1 April - 31 December, 1974.
  - <sup>2</sup> Includes expenditure on Agriculture (including Loan Finance for Agriculture), Lands, Fisheries, broadcasting and some minor miscellaneous items.
  - <sup>3</sup> Expenditures listed at this heading are, for historic and other reasons, treated as non-capital in the budgetary classifications. They have, however, been included because they qualify under the European Regional Development Fund Regulation.
  - <sup>4</sup> The Gaeltacht areas are those where the Irish tongue continues to be the vernacular. These areas, which are small, individually and collectively, are mainly in the west of Ireland.
- 

7. Ireland's estimated receipts of £ 17 million from the ERDF in 1978 are being used to finance increases in the PCP. These receipts will be applied to the financing of the following sectors:

	<u>£ million</u>
Roads	3
Telephones	3
Sanitary Services	3
Harbours	1
Industrial Development	7
	<hr/>
	17

8. The EIB which provided loans totalling £ 52 million in 1977 will continue to be availed of as an additional source of finance for development purposes.

#### ROADS

9. The road network is an essential element for development purposes as, in Ireland, roads are the dominant mode of internal transport and must carry raw materials and finished products to and from ports which are located almost entirely in the eastern and southern parts of the country. Many areas are mainly dependent on the road network since they lack a railway, airport or any alternative transport system.

10. Since 1970, there has been an increase of 34% in the number of road vehicles while the increase in the number of private cars has been 47%. These increases place a heavy burden on the road network, particularly in urban areas.



11. The greatest importance is attached by the Government to the improvement of the National Primary and National Secondary routes. These comprise the most important roads between the major cities and towns and are seriously deficient, requiring large-scale investments to bring them up to the required standard for both present and future traffic volumes. These deficiencies, as identified in specialist studies carried out in recent years, are summarised below.

#### National Primary Roads°

12. These are the principal long distance routes in the State. They carry heavy traffic volumes, act as connectors between the main cities and towns and between major geographical regions. They therefore serve a high proportion of the rural population of the State. Of the total mileage of 1 610 miles, about one-third is deficient.

#### National Secondary Roads°

13. These are important through-routes carrying medium to heavy volumes of traffic, serving medium to large geographical regions, acting as connecting roads between towns and linking the National Primary Roads together to form a homogeneous network. Roughly one-fifth of the total of 1 600 miles is seriously deficient.

#### Major Urban Roads

14. The existing road capacity in the major cities and towns is seriously inadequate and extensive improvements are necessary to improve the principal access routes and to relieve traffic congestion through the construction of by-passes and relief roads. In addition, expensive bridge reconstruction schemes or new bridges are necessary in many of the major urban areas and on national and other major routes.

#### Road Development Programmes

15. Road development programmes are financed each year from the PCP (see Annex 6). Allocations are then made out of this overall provision by the Department of the Environment to the road authorities who are then responsible for carrying out improvement works. The provision in the 1978 PCP for road development programmes represents an increase of 20% on the 1977 outturn. A loan of £ 13.1 million was granted by the EIB in December 1977 to help meet the cost of improvement works included in the annual work programmes for 1977 and 1978.

16. The Department of the Environment is responsible for national policy in relation to roads and, in the case of National Primary and Secondary Routes (which are 100% financed from the PCP), approves work on and allocates funds

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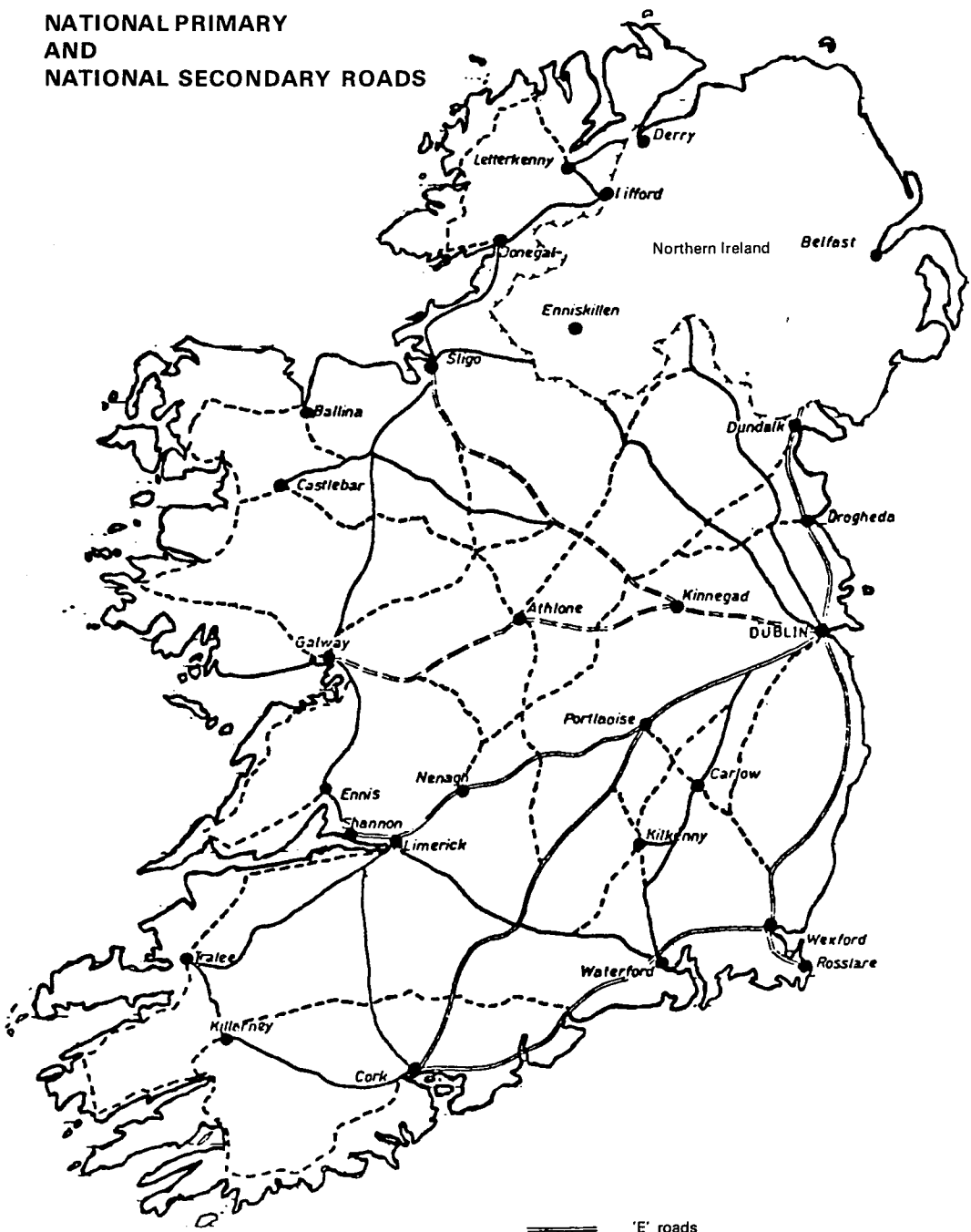
° see map attached.

specific improvement schemes. In the case of other roads, the local authorities are responsible and the costs are financed partially from rates (local taxes) collected by these authorities and by Exchequer grants.

#### Road Development Plan

17. Because of the dominant role of the road network, the provision of an adequate system is seen by the Government as an essential infrastructure element and of prime importance for development. The preparation of a major Road Development Plan for the 1980's is well advanced. This Plan will identify a programme of works necessary to cater for future needs and will assess the immediate priorities of the different elements of the programme. In the context of the Plan it is recognised that projects for the improvement of the main access routes to Dublin and the major route networks linking other cities and large towns must be developed.

NATIONAL PRIMARY  
AND  
NATIONAL SECONDARY ROADS



- 'E' roads
- - - - Proposed 'E' roads
- Other national primary roads
- - - - National secondary roads

## SANITARY SERVICES

18. A major bottleneck for development is the inadequate capacity of water and sewerage facilities. The demands for these services has grown enormously in recent years due to industrial, agricultural and housing development. In addition, increased urbanization and industrialization have rendered inadequate many existing systems and have created the need for more complex and expensive schemes. The position continues to be very difficult in a number of areas which are experiencing rapid development. The treatment, to a high standard, of effluent from local authority sewerage systems will continue to impose heavy demands on capital.

19. Experience has been that the unavoidable limitation of investment in sanitary services can give rise to shortages of serviced sites, particularly near urban areas, and can create difficulties for agricultural, tourist and other development. The importance of sanitary services requires that within the constraint of the overall resources available, local authorities, who identify the needs of their areas and the planning of schemes, be enabled by the provision of adequate finance to make progress with their priority programme. These are as follows:

- (i) Schemes to serve new housing and industrial development needs;
- (ii) Schemes to make good serious deficiencies in existing services;
- (iii) Schemes to serve group water development<sup>o</sup>, and
- (iv) Schemes to prevent or abate pollution.

20. In order to keep the demand on capital resources within realistic limits, all major water and sewerage schemes are being designed so that as far as practical they can be implemented on a phased basis to meet the most pressing requirements. However, experience shows that from time to time urgent demands arise from the establishment of new industry for major new works to meet specific needs so that it is necessary, therefore, for the maintenance of the sanitary services programme to plan schemes well in advance and to have some flexibility in priorities at national level.

21. An assessment carried out in 1977 established that local authorities' priority programmes of major water and sewerage schemes would cost £ 250 million at 1977 prices. Furthermore, experience shows that urgent demands for new major works to meet specific needs arise from time to time at comparatively short notice. In addition to local authorities' major water and sewerage programmes, provision must also be made for their sub-programmes, viz. small schemes (i.e. costing less than £ 20 000 each) and contributions to rural Group Water Schemes.

22. The provision in the 1978 PCP for sanitary services represents an increase of 25% over the estimated outturn for 1977. It is the Government's intention to ensure that all areas will be adequately supplied with these services as

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<sup>o</sup> These are schemes undertaken by private groups on a cooperative basis providing for the type of infrastructure investment envisaged under Article 4 (1) (c) of the Regional Fund Regulation.

early as practicable. Major water supply augmentation schemes are in progress for such centres as Cork, Galway and Kilkenny while work is either about to commence or will commence later in the year on major schemes for Dublin, Limerick, Newcastlewest, Cavan, Castlebar and Wexford.

23. As regards the final disposal of local authority sewerage effluents, a number of major schemes, in cases where these were causing serious pollution problems, have been provided and others are under construction. These include such schemes as Navan, Carrickmacross, Trim and the major Liffey Valley schemes. A further number of schemes has been approved and work on them should commence shortly.

24. Development of rural areas is heavily dependent on the availability of piped water supplies. The programme to provide piped water in these areas continues to make progress. It is estimated that the number of houses without piped water has been reduced from about 154 000 houses at the 1971 Census to about 75 000 at the end of 1976. Aid totalling over £ 5.6 million has been received from FEOGA (Guidance Section) for 174 rural water supply schemes. Almost 80% of this aid was for county council schemes, the balance being in respect of 99 group schemes.

#### TELECOMMUNICATIONS (TELEPHONES)

25. The improvement of the telephone service is a constant demand of industrialists as an efficient telephone service is vital to a peripheral location such as Ireland. Failure to remedy inadequacies would, therefore, constitute a major constraint on development. A survey carried out by the Confederation of Irish Industry in 1976 identified the field of telecommunications as one of the infrastructure bottlenecks which is causing greatest concern to industrialists. The main deficiencies mentioned were overloading of local exchanges, internal trunk dialling difficulties, particularly to and from the Dublin area, and lack of automatic exchange facilities in some areas.

26. Comparisons of the general state of telephone development with that of the other Member States are very unfavourable to Ireland. For example, the Irish telephone density at 15 per 100 of the population is well below the next lowest in the Community which is about 27 telephones per 100 of the population. The percentage of telephones connected to automatic exchanges at 87% appears high but the networks of most of the Member States are now fully automatic. Accordingly, it is necessary to move forward rapidly towards a situation where (i) all public demand for telephones can be met promptly; (ii) quality of service will equal that of the more developed Member States; and (iii) the remaining manual exchanges will be converted to automatic.

#### Five-year Development Programme 1977-1982

27. The broad objectives of the current five-year development programme are as follows:

- (a) to increase the annual rate of connections progressively from about 45 000 at present to 85 000;

- (b) to raise to 96% the percentage of automatic telephones and provide for progress to a fully automatic system as soon as possible;
- (c) to further expand and improve the quality of service in order to attract and handle efficiently a high level of increase in traffic; and
- (d) to make advance arrangement for the acquisition of sites and contracts for buildings and manufacture of equipment, to provide for continuing progress in the years beyond 1982.

28. The programme, which it is estimated will cost £ 350 million, may be summarised under the following headings:

	<u>£ million</u>
Installation of subscribers' telephones (including network development)	135
Local exchange development	70
Trunk development	110
Buildings	28
Miscellaneous	7
	<hr/>
	350

29. Major elements in the programme are as follows:

- an increase in the number of exchange lines to 575 000, and in the number of telephones to 775 000 representing a density of 23 per 100 of the population;
- 22 new automatic exchanges will be provided in the Dublin Cork, Galway and Limerick areas; 270 manual exchanges will be converted to automatic working;
- large-scale extensions will be made to the trunk system serving most major centres including Dublin, Cork, Limerick, Galway, Wexford, Navan, Portlaoise, Carlow, Cavan, Ceannanas, Mór, Drogheda, Mullingar, Sligo and Athlone;
- progressive extension of international automatic dialling facilities;
- provision of new buildings and extensions at over 260 centres.

#### Financial aspects of the Development Programme

30. The statutory authority for making available the above monies is the Telephone Capital Act 1977 which empowers the Minister for Finance to make issues which are repayable from the Exchequer to the Minister for Posts and Telegraphs for telephone development as well as authorising him to borrow for that purpose. The actual issues from the Exchequer in any one year are, however, made on foot of annual capital works estimates which are approved by the Government in the context of the Public Capital Programme (PCP) for that year.

31. Up to now, grants from the European Regional Development Fund totalling over £ 6 million have been approved for telephone projects while loans totalling over £ 67 million have been received from the European Investment Bank. The 1978 works programme provides for additional trunk circuits and local overhead and underground plant, enlargement of the subscriber and trunk exchange network, installation of new telephones and extension of subscriber trunk dialling (STD) and international subscriber dialling (ISD).

## HARBOURS

### Commercial harbours

32. Ireland's island position, combined with her heavy dependence on external trade and tourism, requires port facilities capable of handling freight and passenger traffic speedily and at low cost. Over the period of the Programme, demands on port facilities are expected to increase substantially. Exports and imports are projected to grow at almost 12% and 11% a year in volume, respectively, in the period to 1980, while tourist numbers (incoming) are expected to reach 2.4 million in 1980, as compared with 1.9 million in 1977. It will be necessary therefore to ensure that port facilities are developed to match expanding traffic.

33. The major projects for which provision is made in 1978 are:

	<u>1978</u> <u>Provision</u> <u>£000s</u>
Dublin Port five-year development plan	750
Cork Harbour Development Scheme	3 650
Drogheda quay reconstruction	250
Rosslare car ferry berth and ancillary services	1 600

34. The total provision in the 1978 PCP for commercial harbours is £ 5.56 million. Of that amount the Exchequer will make available £ 4.05 million while local harbour authorities will provide the remainder, either from their own resources or from borrowing. The potential of the Cork Harbour area for development purposes has been recognized by the Community. ERDF assistance has been approved for a number of projects in the area while the EIB granted a £ 10 million loan for a water supply scheme and has also granted a £ 17.2 million loan for construction of the NET ammonia/urea fertiliser project.

### Fishery Harbours

35. A sum of £ 1.8 million is provided for fishery harbour development, including the provision of piers, slipways, equipment and other facilities in the Public Capital Programme 1978. Among the major schemes for which financial provision has been made in 1978 are:

	<u>1978</u> <u>Provision</u> <u>£000s</u>
Killybegs, Co Donegal	460
Rossaveal, Co Galway	60
Castletownbere, Co Cork	526
Howth, Co Dublin	400

36. Future development of fishery harbour facilities will be considered in the context of a five-year sea fisheries development programme which will be based on a comprehensive economic assessment of the industry to be undertaken by the Economic and Social Research Institute. One of the objectives of this assessment is to identify areas for development. The Commission is contributing towards the cost of this assessment.

37. Expenditure on development and maintenance of fishery harbour centres is the full responsibility of central government. Five harbours have been earmarked for development as such centres. These are Killybegs, Castletownbere, Galway, Dunmore East and Howth. The cost of the development of other fishery harbours is borne to the extent of 50% by central government and 50% by the appropriate local authority; in certain western areas, however, the central government contribution is 75%, while in the Gaeltacht areas this contribution is 100%.

#### RAILWAYS

38. The mainline railway system provides a passenger and freight service between Dublin and the main cities and towns throughout the country. CIE are in the process of implementing a programme of re-organisation and modernization of the mainline rail services the purpose of which is to provide a faster, more efficient and reliable service. Passenger services are being improved by providing more modern coaches and equipment and shortening journey times. Rail freight services are being concentrated on a smaller number of more highly productive locations equipped with modern handling facilities, with the emphasis on bulk haulage and unit load movement. The overall objectives of the plan are the provision of an improved service and the reduction of losses on railway operations. CIE estimate that the expenditure required on the mainline rail development programme in the years 1978-1980 is approximately £ 29 million.

39. Suburban rail services play an important role in alleviating Dublin's traffic congestion problems. Studies carried out in recent years have recognised this fact and have shown that these services could pay an expanded role in coping with the traffic growth in the Dublin area. In line with this finding, CIE have put forward proposals for the electrification of the existing suburban line between Bray and Howth at an estimated cost of £ 41 million (at 1978 prices) and these are at present under consideration. In any event the rolling stock and signalling system currently in use on the Howth/Bray line are in poor condition and major investment decisions will have to be faced in the near future. Electrification of the Howth/Bray line could be the first stage of a comprehensive Rapid Rail Transit System envisaged by



CIE for the greater Dublin area. The total costs of this system (phased over a period of some twenty years) is estimated at about £ 220 million (at 1978 prices). No definite decisions regarding the Rapid Transit System have yet been taken.

#### CROSS-BORDER COOPERATION

40. The border areas in Ireland are amongst those with the most severe economic problems and great importance is attached therefore to cross-border economic cooperation. A new impetus was given to such cooperation by the meeting between the Irish and British Prime Ministers in September 1977 when it was decided to review arrangements and opportunities in economic cooperation with particular reference to cross-border cooperation.

41. A Steering Group was set up for this purpose and discussions have been taking place between officials of both sides aimed at identifying areas of economic cooperation over a wide field and of possible joint action to ameliorate the economic problems of the areas concerned. The reports of the Steering Group, which will be made public shortly, review the extensive economic contacts which exist at present, identify areas where cooperation could be improved and recommend specific projects for detailed studies. These recommendations received political endorsement at a meeting in May 1978 between the Irish Minister for Foreign Affairs and the Secretary of State for Northern Ireland who also announced that there would be an early application for EEC funds with a view to starting a study of the Erne catchment area.

42. The Community has already recognized the severe economic problems of the border areas of Ireland by its financial commitment to the recently completed study on communications in the North-West of Ireland - the Donegal/Derry region - which has been financed from the Regional Fund as well as by the Irish and British Governments. Both Governments are at present studying the recommendations contained in this study with a view to working out programmes of action, with Community aid where appropriate, based on these recommendations.

#### MISCELLANEOUS

43. The Government place considerable emphasis on the following infrastructural items in their development efforts.

Industrial Housing: The availability of houses for workers, particularly key workers, can be a prime factor in determining the location of new industry or the practicability of expanding existing industry. Since 1975 the task of providing or arranging for the provision of houses at centres where new or expanding industrial development requires the recruitment of personnel from outside the area in question and whose housing requirements cannot be met by local authorities or private enterprise has been entrusted to the IDA. Housing for workers in the Shannon Industrial Estate is provided by SFADCo (the Shannon Free Airport Development Company Ltd.).

Advance Factories: The increasing importance of advance factories in competing for overseas industry is likely to continue. In 1976, for example, 90% of new overseas projects approved by the IDA located either in advance factories or in factories where construction is arranged by the IDA or SFADCo. Gaeltarra Eireann also provides advance factories in the Gaeltacht (Irish-speaking areas). Such factories permit more rapid start-up of projects and increase employment quickly.

Arterial drainage: Inadequate drainage is one of the factors contributing to the low output per acre in Irish agriculture. Arterial drainage schemes, which are undertaken on a considerable scale in Ireland as a regional development measure, are designed to improve the productivity of agricultural land and thereby the living standards of the inhabitants of the catchment areas. Total expenditure in 1978 is estimated at £ 4.9 million, compared with expenditure of £ 3.6 million in 1977. It is relevant to note that the recent Council agreement on agricultural prices for 1978/1979 provides for FEOGA assistance of £ 21 million for drainage in the West and £ 6 million for cross-border arterial drainage.

Tourism Infrastructure: The development of tourism infrastructure is an important element in increasing the contribution of the tourism sector to the economy.

Infrastructure investment in disadvantaged areas (Council Directive EEC No 75/268 on mountain and hill farming and farming in less favoured areas): The provision of adequate infrastructure has an important role to play in developing these areas, which are relatively poorer and less developed than the rest of the country.

Gaeltacht improvement schemes: These schemes in the Gaeltacht areas of the country include grants for water supply and sewerage works and marine works. The Gaeltacht areas are small and scattered, and suffer to a more serious degree from the economic problems faced in the designated areas generally. The percentage of the population engaged in subsistence agriculture is extremely high, and until industrialisation policies began to have an effect, the volume of industrial employment was very low. The population is of the order of 70 000.

## ANNEX 5

### INCENTIVES FOR DEVELOPMENT

#### Introduction

1. Part II of the White Paper sets out the sectoral policy measures for development which will be pursued by the Government towards the realisation of its employment and other objectives during the programme period 1977/1980. This largely covers the policy areas (industry, agriculture, social policy and manpower policy) referred to in Chapter 3 of the Regional Policy Committee's Outline for Regional Development Programmes.

2. The present Annex provides additional information on industrial, tourism and employment incentives, industrial training, decentralization of public services, physical planning, environment policy and the County Development Teams.

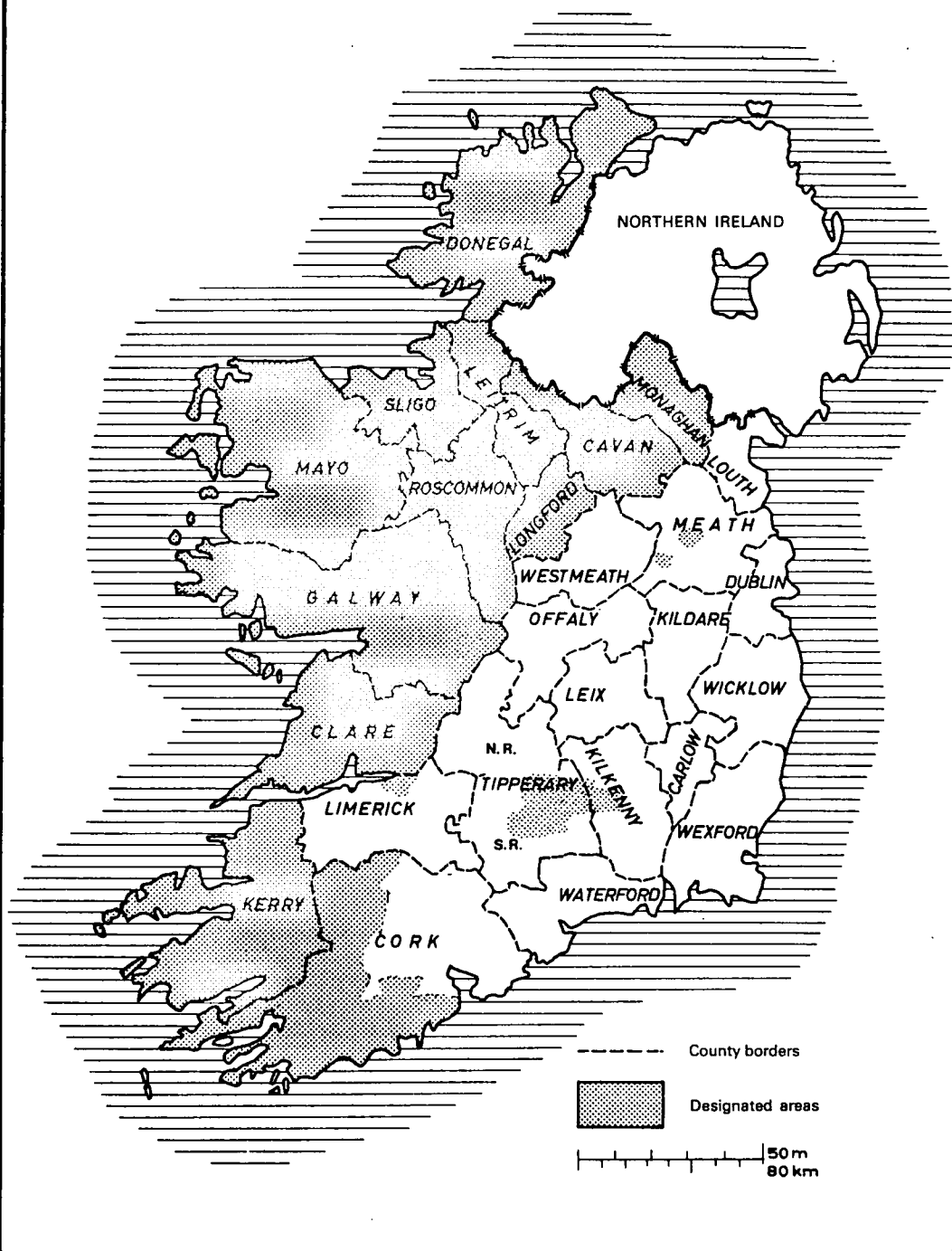
#### (a) INDUSTRIAL AIDS AND INCENTIVES

3. One of the primary aims of the Government's investment strategy is to accelerate the annual rate of fixed investment in manufacturing industry which will provide the bulk of the increases in employment over the programme period. The main aids and incentives provided at present to encourage industrial investment are described below.

#### Capital Grants for New Industries

4. Industrial grants are provided, mainly by the Industrial Development Authority (IDA), towards the cost of fixed assets (including site, site development, buildings, machinery and equipment) for approved new industry. The administration of these grants is flexible within the strict constraints imposed by the Authority's governing legislation. In order to qualify for a grant, an industrial undertaking must satisfy the following criteria: contribute to employment creation or maintenance, require financial aid and be of a reasonably permanent and efficient nature. The rates of grant provided are 40% of the investment cost in the designated areas (see Map) and 25% in other areas.

## DESIGNATED AREAS



5. An additional grant of 20% of the investment cost can be given in all areas if the criteria listed below are fulfilled.

- the significance and character of the employment likely to be provided warrants the further grant;
- the undertaking will result in the development or utilization of local resources or will achieve significant linkages with existing firms or potential new enterprises;
- a high technological or scientific content; or
- exceptional growth potential.

6. The legal maxima are therefore 60% in the Designated Areas and 45% in the other areas.

#### Other Aids and Incentives for New Industries

7. In addition to making available capital grants, the IDA may also encourage investment by providing in certain cases

- interest subsidies
- loan guarantees
- equity participation
- rent subsidies
- training grants
- advance factories

8. Very infrequent use has been made of interest subsidies and loan guarantees. The amount of any rent subsidies together with the amount of the capital grants towards fixed assets may not exceed the percentage limit laid down for such capital grants (see above).

#### Grants for Existing Industry

9. The IDA also encourages the re-equipment and modernization of existing manufacturing industry principally through its re-equipment grants scheme. Under this scheme, grants towards eligible expenditure are made available on a selective basis at a rate of 35% in the designated areas and the Shannon Free Airport Zone and 25% elsewhere.

#### Grants for Small Industries

10. The IDA provides assistance for the development of existing small industries and for the establishment of new ones. Projects assisted are normally those employing less than 50 people with a fixed asset investment of less than £ 300 000. Grants towards fixed asset costs (including sites, new buildings, extension or reconstruction of existing buildings and new machinery and equipment) are negotiable up to 60% in the designated areas; in other areas the rate is 45%.

### Research Grants

11. Research or development projects which create or perfect industrial processes, methods or products in the country, particularly through the use of local resources, or offer prospects of expansion to existing industries or of promotion to new industries are eligible for 50% grants.

### Grants from Other Sources

12. The Shannon Free Airport Development Company (SFADCo) provides grants of up to 50% of the cost of machinery and equipment in the case of industry locating in the Shannon Free Airport Development Zone. The normal rate of grant is however 25%-35% of the cost involved. In addition SFADCo rents or leases industrial buildings in the zone of the basis of cost price and in exceptional cases the rent may be subsidized.

13. Gaeltarra Éireann has as its objective, the provision of gainful employment for native Irish speakers in the Gaeltacht (Irish-speaking) areas. Gaeltarra mainly offers grants of up to two-thirds of fixed assets of enterprises and may also take shares in companies. It also provides training grants and factories for letting.

### Fiscal Incentives

14. Throughout the national territory any company can obtain, on request, tax relief on profits from exports of goods manufactured in Ireland (as well as other activities such as ship repairs, and design and planning services in connection with specified engineering work abroad) for a maximum period of 20 years, ending in 1990. Profits from exports, or in certain cases the export surplus over the reference period 1955/1956, are 100% exempt from corporation tax for the first 15 years. The tax relief is degressive for the following 5 years, that is, it applies at 80%, 65%, 50%, 35% and 15% respectively, of the full rate of tax. In the Shannon area full tax relief is granted until 1990. Free depreciation is available for investment in new plant and machinery and in the designated areas there is an additional investment allowance of 20%.

### Rates Remission

15. In the designated areas, a reduction of two-thirds on rates (a form of annual tax on land and buildings levied by local authorities) may be allowed for ten years in respect of grant-aided industrial premises.

### (b) TOURISM INCENTIVES

16. The Tourist Traffic Acts enable Bord Fáilte Éireann (the Irish Tourist Board) to give financial grants over a wide field of investment in order to develop tourism. The Board has administrative discretion in the operation of its grant schemes but the principles of all but minor schemes require

Government approval. Projects for which assistance may be granted include the development of accommodation and general infrastructural works related to tourism such as creation or improvement of forest parks, water-ways, river cruising facilities including boats, other outdoor activities, amenity development and improvement of access facilities at scenic venues. In addition to these activities the Board also carries out tourism promotion in the main tourist markets. The Board's funds are provided almost entirely from the Exchequer.

(c) EMPLOYMENT INCENTIVE SCHEME

17. A Scheme of Employment Incentives was introduced by the Government in January, 1977. Under the scheme, manufacturing industries and agricultural employers who recruit additional workers, who have been unemployed, can receive weekly premiums in respect of each such worker recruited. The scope of the scheme has since been extended to the hotel and catering industry, to the services sector and to the building and construction sector. Premiums of £ 20 are payable per week in respect of each qualified adult worker and £ 14 in respect of school leavers.

(d) INDUSTRIAL TRAINING

18. Manpower policy is the responsibility of the Department of Labour. The National Manpower Service of that Department, which is organized on an area basis, provides a placement and guidance service which assists job seekers to find suitable jobs, advises them about training facilities, and assists employers to recruit suitable workers. The Service also collects information on the labour market and operates a scheme of resettlement assistance which provides financial help to workers who have to move to new areas to take up jobs offered through the Service. A careers information service is also provided.

19. Industrial training which is also the responsibility of the Department of Labour is carried out on the Department's behalf by An Chomhairle Oiliúna (AnCO), the Council for Education, Recruitment and Training for the Hotel, Catering and Tourism Industries (CERT) and the Irish Management Institute (IMI). AnCO and CERT are State bodies while the IMI is a private organization.

AnCO

20. AnCO was set up under the Industrial Training Act, 1967 and given wide powers to provide and to promote the provision of vocational training at all levels in industry and commerce.

21. AnCO's operations may be described under four main headings, viz.,

- (i) direct training at special training centres
- (ii) the regulation of apprentice training

- (iii) the organization of company-based training
- (iv) technical assistance grants scheme

(i) Direct Training

22. This programme is financed by the State with assistance from the European Social Fund (ESF). The State grant for 1977 was £ 11.94 million and AnCO expects to receive £ 9.6 million from the ESF in respect of these training activities in that year.

23. AnCO has rapidly expanded its training capacity in recent years and at present has 16 training centres which had a total of 3 600 training places at the end of 1977. It trained 12 837 people in 1977, which is more or less in line with the target, proposed by the OECD Report on Manpower Policy in Ireland, of having a training capacity of up to 1% of the labour force.

24. In line with the Government's concern about the high level of unemployment among young people, AnCO introduced a number of measures to help ease the problem. These include a Community Youth Training Programme whereby young unemployed persons under 25 years of age are engaged in community projects.

(ii) Apprentice Training

25. AnCO has designated the following seven trade groups for apprenticeship purposes and makes regulations for the organization and control of apprentice training in these trades; Construction, Engineering and Metal, Electrical, Motor, Furniture, Printing and Dental Craftsmen. Employers must have AnCO's consent before employing an apprentice to any of these trades. The apprentice must be registered with AnCO and the employer must release the apprentice with pay to attend appropriate courses in vocational schools.

26. A minimum annual intake of 3 000 first-year apprentices is essential if sufficient craftsmen are to be available in future and in view of the reduction in apprentice intake by employers in recent years, AnCO has been taking on unsponsored apprentices for first year off-the-job training.

(iii) Company-Based Training

27. By means of levy/grant schemes devised by industrial training committees which are representative of trade union and employer interests, industry is encouraged and assisted to define its own training needs and to prepare and implement programmes to meet those needs.

28. In general the schemes provide that every firm above a certain size must pay a levy of between 1% and 1.25% of its total payroll into a specific fund from which grants of up to 90% of levy paid can be repaid in respect of specified training activities. The remaining 10% of levy is retained by AnCO as a contribution towards the cost of providing a training advisory service and for administrative expenses.



29. There are levy/grant schemes operating at present in the following industrial sectors, Textiles, Clothing and Footwear, Food, Drink and Tobacco, Engineering, Construction, Printing and Paper, Chemical and Allied Products. There are approximately 250 000 workers employed in levy-paying firms.

(iv) Technical Assistance Grants Scheme

30. This scheme which is administered by AnCO is designed to promote training at management and supervisory level and provides for the payment of up to 50% of the cost of attendance at approved training courses by management and supervisory personnel in the manufacturing and distributive industries. Grant aid is available also for trade union officials and officials of employers' organizations for attending recognized training courses. In 1977 assistance was given to 8 640 participants in courses and grants totalling £ 0.4 million were paid. More than 4 000 firms and trade unions are now availing themselves of the scheme.

CERT

31. CERT was set up in 1963 under the Tourist Traffic Act, 1952. Its main functions are the recruitment, training and placement of staff for the hotel, catering and tourist industries.

32. CERT is financed mainly (to the extent of some 60%) by annual grants from the State which will provide £ 460 000 in 1978. CERT's activities are eligible for aid from the ESF; grants from that source amounted to £ 280 000 in respect of 1977. CERT carries out its training functions in two ways:-

- (1) By providing pre-entry training courses for young persons wishing to enter the hotel and catering industries; about 425 craft training places are provided annually.
- (2) By providing in-service training for persons already employed in the hotel, catering and tourism industries; over 2 200 persons participated in in-service training under the aegis of CERT during 1977.

Irish Management Institute

33. The Irish Management Institute (IMI) is an independent non-profit making organization founded in 1952. Its objective is to raise the standard of management in Ireland. For this purpose it provides a comprehensive programme of management development and training in which about 4 000 participate annually. The IMI receives an annual grant from the State; the amount for 1978 is £ 375 000. The IMI's training activities are eligible for assistance from the ESF which approved grants of £ 300 000 in respect of 1977.

(e) DECENTRALIZATION OF PUBLIC SERVICES

34. There has been some decentralization of Government Departments with the movement of sections of some Departments to towns in the West and midlands of the country. To-date, some 160 officials of the Departments of Agriculture and Fisheries and some 100 officials of the Department of Education have been transferred to Castlebar and Athlone respectively while the transfer of as much as is practicable of the work of the Department of the Gaeltacht to Na Forbacha in Galway is at the planning stage. Proposals on further decentralization steps are at present under preparation.

(f) PHYSICAL PLANNING

35. Physical planning is seen by the Government as providing the means by which investment in building and construction (houses, factories, infrastructure etc.) may be co-ordinated in time and location to achieve the best rate of progress with the most efficient use of resources and to influence the geographical distribution of population and employment. Such an approach, therefore, provides a necessary framework for the Government's development strategy which aims at the optimum spread of development throughout the country so that the potential of different areas to contribute to national growth is exploited.

36. Legislation governing physical planning is contained in the Local Government (Planning and Development) Acts 1963 and 1976. Under the Acts each planning authority - 27 county councils, 4 county boroughs, 7 borough corporations and 49 urban district councils - is obliged to make a development plan and to review and update the plan at least once in every five years. The first five years review of development plans was completed in recent years in virtually all areas and the majority of plans are under review for the second time. The development plan is a statement of the policy of the planning authority for the promotion and control of building and of other developments in its area, including the preservation and development of amenities. The Acts also provide a comprehensive system for the control of land use, responsibility for which rests primarily with the planning authorities, and also enable them to facilitate the economic development of their areas.

37. Before a development plan is made, copies of the draft plan must be sent to a number of bodies who have a particular interest and who may be in a position to give the planning authority specialist advice. Notice of the making of a plan must be published and a copy of the draft kept on public display for at least three months. Any objections or representations made to the authority during that time must be taken into account before the plan is made.

38. The development plan is the framework for investment at local level and includes the works programme of the planning authority for the provision of housing, sanitary services, roads and community facilities, which are necessary for the realisation of planned expansion. Planning authorities are required to take such steps as are necessary for securing the objectives of the development plan.

39. In urban areas, the development plan must show objectives for -

- (a) the orderly and economic use of land for particular purposes (e.g. industrial, residential etc.);
- (b) the improvement of roads for vehicles and pedestrians;
- (c) the redevelopment of obsolete or badly laid out areas; and
- (d) the preservation and development of amenities, such as parks and recreation areas.

40. In rural areas, the plan must include objectives for the extension of water and sewerage services as well as objectives as set out at (c) and (d) above.

41. The above are minimum requirements for development plans. A schedule to the 1963 Planning Act sets out other areas of local authority activity which may be included as objectives in their development plan. These cover a wide range and for convenience may be listed under four broad headings-

- (a) Roads and Traffic
- (b) Structures - including size, density, design, layout, landscaping, services, access road, parking provisions.
- (c) Community planning - including determining sites for schools, churches, community centres, recreational facilities etc.
- (d) Amenities - including reservation of land for public parks, recreation, preservation of buildings of artistic, architectural or historical interest, preservation of views and prospects, control of waste and prevention of pollution.

42. Planning authorities are also empowered under the Local Government (Planning and Development) Acts to exercise jurisdiction over the development of areas of particular scenic or recreational value. Where a planning authority considers an area to be one of special amenity by reason of its outstanding natural beauty, its special recreational value or that there is a need for nature conservation, they may make a Special Amenity Area Order. Such an Order may state the objectives of the authority in relation to the area including objectives for the prevention or limitation of development in the area. Planning authorities are also empowered to make conservation orders, tree preservation orders and to include in their development plans objectives for the preservation of structures of artistic, historical or architectural interest including interior fixtures and fittings (e.g. plasterwork, staircases, woodwork) of such structures.

43. All new development, with certain limited exceptions, is subject to planning control and requires the permission of a planning authority before it can proceed. In dealing with applications for planning permission for development in their areas, planning authorities are restricted to considering the proper planning and development of the area, regard being had to the provisions of the development plan and to the provisions of any special amenity area order relating to the area. Any person aggrieved by a decision on a planning application may appeal against that decision to an independent Board - An Bord Pleanála.

(g) ENVIRONMENT POLICY

44. Environment policy is directed at maintaining the quality of the physical environment through effective planning and pollution control measures.

45. The newly designated Department of the Environment will be the Department mainly concerned with programmes in this area and especially with local authority programmes. In this connection recent legislation has greatly strengthened the powers of local authorities to prevent pollution or to secure remedial action.

46. The Department of the Environment has been assigned the following specific functions to be carried out in consultation as appropriate with other Departments:

- (i) to prepare for the approval of the Government a national environment policy and to keep it under review;
- (ii) to examine the state of the environment and report on it to the Government from time to time;
- (iii) to promote co-ordination in policies and programmes relating to the environment, in particular in relation to the European Community and international measures;
- (iv) to promote specific programmes or projects for the protection and improvement of the environment, and
- (v) to designate areas as national parks or regional parks.

47. In carrying out environmental functions, regard will be had to the Government's objectives for economic growth and the creation of employment as set out in the present Regional Development Programme. It will be the aim to create a climate in which the achievement of the objectives will not be impeded by unreasonable or unbalanced environmental objectives.

48. An advisory council (to be known as the Environment Council) will be established by the Minister for the Environment to advise him in relation to the functions outlined above.

49. It should be mentioned that the Local Government (Planning and Development) Acts, 1963 and 1976, provide that, where a large industrial development is proposed, an environment impact assessment must be carried out. In order to protect the environment, preserve amenity and prevent pollution, the planning authority has the power to attach relevant conditions to any grant of planning permission.

50. As part of its youth employment measures, the Government have undertaken an Environment Improvement Schemes Programme this year. This Programme, which will be carried out by local authorities but financed from the central Exchequer, is expected to provide short-term employment equivalent to 1 000 jobs of one year's duration. Works under the Programme will be of environmental, recreational, or amenity value to the community. Examples of projects which could be carried out include the provision of parks, playing fields, picnic sites and operations which would improve environmental standards and cleanliness.

51. Unemployed persons will be engaged and three out of every four will be young persons. Participants will be recruited through the National Manpower Service of the Department of Labour. Finally, the Government, last July, as part of their job-creation package, allocated a sum of £ 0.5 million to local authorities for environmental works in their area.

(h) COUNTY DEVELOPMENT TEAMS

52. The County Development Teams, which are representative of local authorities and other State agencies at local level, have the task of fostering economic development in each of the Western counties by ensuring maximum use of existing public services and by stimulating worthwhile new ideas for development. For this purpose, there exists a Special Regional Development Fund which provides State assistance for projects which do not qualify for aid under existing State schemes. The activities of the Teams are coordinated at national level by the Central Development Committee which reports directly to the Department of Economic Planning and Development.



## ANNEX 6

### FINANCIAL RESOURCES

1. Paragraph 3.21 of the White Paper indicates the extent to which domestic savings and external resources are expected to finance national investment needs over the period to 1980. Government borrowing and expenditures through the Public Capital Programme (PCP) will play a major role in mobilizing such resources and directing them towards investment.

2. The PCP mainly consists of the capital expenditure programmes of Government Departments, local authorities and State bodies and is concerned with the creation of capital assets such as factories, roads, sanitary services and schools. The amounts to be spent through the individual programmes are determined annually by the Government at Budget time by reference to such factors as the availability of resources, the economic situation and the overall balance and composition of expenditure. The total sum involved in any year is usually the equivalent of about half of national investment in that year but the Programme also exercises a strong influence on the remainder of investment through the system of aids and incentives operated by various Government agencies such as the IDA, SFADCO and Gaeltarra Éireann (see Annex 5).

3. In 1978, 1979 and 1980 the level and composition of the Public Capital Programme will be geared to achieving the desired rate of increase in investment, subject to the availability of resources in each year. The Government have determined the allocations for 1978, and these will be available when Parliamentary procedures have been complied with. The figures for later years have yet to be settled but it is the Government's intention that they should give priority, first, to expenditure directed at enlarging employment and maintaining existing employment in the directly productive sectors of the economy, and, second, to infrastructural expenditures necessary to encourage and support productive investment (paragraph 8.4 of the White Paper refers).

4. Receipts from the European Regional Development Fund are deployed through the PCP and have been used to finance a higher level of capital investment and job creation than would otherwise have been possible. The estimated extent of such receipts from the Fund during the period 1975/1977 amounts to just over 1% of total PCP expenditure in that period. Where aid from the Community's Regional Development Fund is sought for particular projects, the applications show the total amount of investment and its financing (including the level of assistance sought) the time schedule for implementation of the investment and the phasing of expenditure.

5. On the basis of the endowment of the Fund for the period 1978/1980, as agreed by the European Council, the Fund will enable Ireland to finance during this period a marginally higher level of capital investment than would otherwise be possible.





ANNEX 7

IMPLEMENTING THE PROGRAMME

The main Departments of State/State Agencies involved in the preparation and implementation of the regional programme are set out in the attached table.

The Department of Economic Planning and Development, which was established under recent legislation, has amongst its statutory functions the promotion and coordination of economic and social planning, the identification of appropriate policies for economic and social development and overall responsibility to review the implementation of plans. It has responsibility for pursuing these functions at national, regional and sectoral levels.

One of the important tasks of the new Department is to ensure consistency between the different parts of the programme. It is intended to establish planning units in every Department of State which has a major economic or social responsibility. These units will be responsible for the preparation and monitoring of progress on plans for their Departmental areas and will assist in the coordination of these plans into national plans. As the work of these units will provide the basis for any revision of the programme, there will therefore be close liaison between the various planning units and the Department of Economic Planning and Development in all stages of their work.

Main Departments of State/State Agencies involved in  
preparation and implementation of the regional programme

Tasks	Main Department(s)	Other State Agencies
Overall economic and social policy; national, sectoral and regional planning; science policy; regional policy	Department of Economic Planning and Development	National Board for Science and Technology; County Development Teams
Budgetary and monetary policies	Department of Finance	Central Bank
Industrial development	Department of Industry, Commerce and Energy	Industrial Development Authority (IDA), Shannon Free Airport Development Company SFADCO) and Gaeltarra Éireann
Infrastructure investment (physical planning, sanitary services, roads, housing, telecommunications, harbours, airports and tourism); regional aspects of same;	Department of the Environment Department of Posts and Telegraphs (for telecommunications) Department of Tourism and Transport (for investments in harbours, airports and tourism) Department of Fisheries (for fishery harbours)	Local Authorities, An Bord Pleanála, National Building agency and An Foras Forbartha (National Institute for Physical Planning and Construction Research), harbour authorities and Aer Rianta
Agriculture, land, forestry and fisheries	Departments of Agriculture and Fisheries	Agricultural Institute, An Bord Iascaigh Mhara (Sea Fisheries Board)
Energy and mining	Department of Industry, Commerce and Energy	Electricity Supply Board, Bord Gáis (Gas Board), Bord na Móna (Turf Board) Nuclear Energy Board
Tourism and transport	Department of Tourism and Transport	Bord Fáilte (Irish Tourist Board) CIE (State Transport Authority) Aer Lingus (State Airline), B and I and Irish Shipping
Industrial relations, incomes policy	Departments of Labour, Economic Planning and Development and Public Service	Labour Court
Manpower Policy	Department of Labour	AnCO (Industrial Training Authority), National Manpower Service
Social Services	Departments of Education Health and Social Welfare	HEA (Higher Education Authority), Regional Health Boards

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<sup>1</sup> The abbreviations after each title indicate the languages in which the documents have been or will be published: DA — Danish, DE — German, EN — English, FR — French, IT — Italian, NL — Dutch.

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<sup>1</sup> In preparation.

European Communities — Commission

## **Regional development programme Ireland 1977-1980**

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According to article 6 (1) of Council Regulation (EEC) No 724/75 of 18 March 1975 establishing a European Regional Development Fund (OJ L 73 of 21.3.1975), 'investments may benefit from the fund's assistance only if they fall within the framework of a regional development programme'. The programmes shall indicate the objective and the means for developing the region according to the common outline prepared by the regional policy committee (OJ C 69 of 24.3.1976).

This outline, proposing what regional development programmes should contain, is indicative and should be interpreted in a flexible manner. The programmes should have five chapters: economic and social analysis, development objectives, measures for development, financial resources, implementation.

The present regional development programme for Ireland presented by the Irish Government in December 1977, was submitted to the Commission under the procedure provided for under paragraph 5 of article 6 referred to before. The Commission is publishing it for the purposes of information and does not take any responsibility for it.

Ireland, the population of which is 3.16 million, has a level of economic development well below the Community average. The country is facing particularly severe employment problems due to the decline of agricultural employment, job losses in manufacturing, the growth of the active population and much reduced emigration.

The Irish Programme covers the period 1977 to 1980 and deals primarily with the development of the country as a whole (though disparities within the country are described and employment targets set for regions and sub-regions). Ambitious economic targets are set, including an annual growth of gross national product of 7% over the years 1978 to 1980, such growth is required to make significant inroads into the employment problems. The Programme gives estimates of the implications of the targets for different macro-economic variables and describes the constraints that may be met. Other sections of the Programme deal with sectoral problems, infrastructure needs, social development, public expenditure and incentives for development.



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